

California Department of Industrial Relations
2014-2015 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 2014-2015

(1.1) Workers' Compensation Administration Revolving Fund Assessment (Labor Code § 62.5)... **\$197,205,152**

Total Assessment Required.....	\$439,830,814
Fund Balance.....	(\$278,879,000)
DWC 1314 Overcollection.....	\$39,080,579
SIP 1314 Undercollection.....	<u>(\$2,827,241)</u>
	\$197,205,152

(1.2) Uninsured Employers Benefits Trust Fund Assessment (Labor Code § 62.5)..... **\$32,653,213**

Total Assessment Required.....	\$59,453,531
Fund Balance.....	(\$33,638,000)
DWC 1314 Overcollection.....	\$7,247,911
SIP 1314 Undercollection.....	<u>(\$410,229)</u>
	\$32,653,213

(1.3) Subsequent Injuries Benefits Trust Fund Assessment (Labor Code § 62.5)..... **\$17,921,377**

Total Assessment Required.....	\$35,105,623
Fund Balance.....	(\$22,168,000)
DWC 1314 Overcollection.....	\$5,287,655
SIP 1314 Undercollection.....	<u>(\$303,901)</u>
	\$17,921,377

(1.4) Occupational Safety and Health Fund Assessment (Labor Code § 62.5)..... **\$62,339,947**

Total Assessment Required.....	\$85,765,474
Fund Balance.....	(\$32,721,000)
DWC 1314 Overcollection.....	\$9,795,287
SIP 1314 Undercollection.....	<u>(\$499,814)</u>
	\$62,339,947

(1.5) Labor Enforcement and Compliance Fund Assessment (Labor Code § 62.5)..... **\$44,398,989**

Total Assessment Required.....	\$67,007,943
Fund Balance.....	(\$31,989,000)
DWC 1314 Overcollection.....	\$9,943,670
SIP 1314 Undercollection.....	<u>(\$563,624)</u>
	\$44,398,989

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(1.6) Workers' Compensation Fraud Account Assessment (Labor Code § 62.6).....	\$51,385,841
<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.....	(\$12,451,686)
DWC 1314 Overcollection.....	\$10,998,364
SIP 1314 Undercollection.....	(\$605,837)
	\$51,385,841

Step 2: Determine Payroll Amounts

(2.1) Total payroll for insured employers.....	\$492,602,355,962
<i>Source: California Workers' Compensation Insurance Rating Bureau (WCIRB) policy year 2011</i>	

(2.2) Payroll for self-insured employers	\$182,217,342,385¹
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(2.2.1) 2013-14 Fiscal Year for Public Sector*.....	\$101,371,314,477
(2.2.2) 2013 for Private Sector.....	\$80,846,027,908
<i>* Source: Department of Industrial Relations, Office of Self-Insurance Plans (excludes State of California)</i>	

(2.3) Payroll for State of California (including SCIF)**.....	\$15,539,220,277
<i>** Source: (Department of Personnel Administration, Fiscal Year 2013-14)</i>	

(2.4) Total payroll for self-insured employers.....	\$197,756,562,662²
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(2.5) Total combined payroll.....	\$690,358,918,624³
(Insured and self-insured employers)	

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

(3.1) Insured Employers:	
$\frac{\text{Insured Employer Payroll}}{\text{Total Combined Payroll}} = \frac{\text{Methodology Section (2.1)}}{\text{Methodology Section (2.5)}} = \frac{\$492,602,355,962}{\$690,358,918,624} = \underline{71.35\%}$	

(3.2) Self-Insured Employers:	
$\frac{\text{Self-Insured Employer Payroll}}{\text{Total Combined Payroll}} = \frac{\text{Methodology Section (2.4)}}{\text{Methodology Section (2.5)}} = \frac{\$197,756,562,662}{\$690,358,918,624} = \underline{28.65\%}$	

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)

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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 71.35% = \$197,205,152 X 71.35%	\$140,705,875
▶ INCREASED by credits due individual insurers which undercollected against previous advances [CCR § 15609].....	\$11,982,247
▶ DECREASED by insurer overcollection 1314 [pursuant to CCR § 15606(f)].....	(\$39,080,579)
(4.1) Resulting Final Insured Employers Workers' Compensation User Funding Assessment.....	\$113,607,543

Calculation for Self-Insured Employers:

▶ (WCARF Assessment) X 28.65% = \$197,205,152 X 28.65%	\$56,499,276
▶ INCREASED by the Self-Insurer undercollection from prior year.....	\$2,827,241
(4.2) Resulting Final Self-Insured Employers Workers' Compensation User Funding Assessment.....	\$59,326,517

Uninsured Employers Benefits Trust (UEBT) Fund Assessment

Calculation for Insured Employers:

▶ (UEBTF Assessment) X 71.35% = \$32,653,213 X 71.35%	\$23,298,067
▶ INCREASED by credits due individual insurers which undercollected against previous advances [CCR § 15609].....	\$2,781,921
▶ DECREASED by the Insurer overcollection for 1314 [pursuant to CCR § 15606(f)].....	(\$7,247,911)
(4.3) Resulting Final Insured Employers UEBT Fund Assessment.....	\$18,832,077

Calculation for Self-Insured Employers:

▶ (UEBTF Assessment) X 28.65% = \$32,653,213 X 28.65%	\$9,355,146
▶ INCREASED by the Self-Insurer undercollection from prior year.....	\$410,229
(4.4) Resulting Final Self-Insured Employers UEBT Fund Assessment.....	\$9,765,375

Subsequent Injuries Benefits Trust (SIBT) Fund Assessment

Calculation for Insured Employers:

▶ (SIBTF Assessment) X 71.35% = \$17,921,377 X 71.35%	\$12,786,902
▶ INCREASED by credits due individual insurers which undercollected against previous advances [CCR § 15609].....	\$1,111,838
▶ DECREASED by insurer overcollection 1314 [pursuant to CCR § 15606(f)].....	(\$5,287,655)
(4.5) Resulting Final Insured Employers SIBT Fund Assessment.....	\$8,611,085

Calculation for Self- Insured Employers:

▶ (SIBTF Assessment) X 28.65% = \$17,921,377 X 28.65%	\$5,134,475
▶ INCREASED by the Self-Insurer undercollection from prior year.....	\$303,901
(4.6) Resulting Final Self-Insured Employers SIBT Fund Assessment.....	\$5,438,376

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Occupational Safety and Health Fund (OSHF) Assessment

Calculation for Insured Employers:

▶ (OSHF Assessment) X 71.35% = \$62,339,947 X 71.35%	\$44,479,552
▶ INCREASED by credits due individual insurers which undercollected against previous advances [CCR § 15609].....	\$2,888,013
▶ DECREASED by insurer overcollection 1314 [pursuant to CCR § 15606(f)].....	(\$9,795,287)
(4.7) Resulting Final Insured Employers OSH Fund Assessment.....	\$37,572,278

Calculation for Self- Insured Employers:

▶ (OSHF Assessment) X 28.65% = \$62,339,947 X 28.65%	\$17,860,395
▶ INCREASED by the Self-Insurer undercollection from prior year.....	\$499,814
(4.8) Resulting Final Self-Insured Employers OSH Fund Assessment.....	\$18,360,209

Labor Enforcement and Compliance Fund (LECF) Assessment

Calculation for Insured Employers:

▶ (LECF Assessment) X 71.35% = \$44,398,989 X 71.35%	\$31,678,679
▶ INCREASED by credits due individual insurers which undercollected against previous advances [CCR § 15609].....	\$2,342,741
▶ DECREASED by insurer overcollection 1314 [pursuant to CCR § 15606(f)].....	(\$9,943,670)
(4.9) Resulting Final Insured Employers LEC Fund Assessment.....	\$24,077,750

Calculation for Self- Insured Employers:

▶ (LECF Assessment) X 28.65% = \$44,398,989 X 28.65%	\$12,720,310
▶ INCREASED by the Self-Insurer undercollection from prior year.....	\$563,624
(4.10) Resulting Final Self-Insured Employers LEC Fund Assessment.....	\$13,283,934

Workers' Compensation Fraud Account Assessment

Calculation for Insured Employers:

▶ (Fraud Assessment) X 71.35% = \$51,385,841 X 71.35%	\$36,663,798
▶ INCREASED by credits due individual insurers which undercollected against previous advances [pursuant to CCR § 15609].....	\$3,365,250
▶ DECREASED by insurer overcollection 1314 [pursuant to CCR § 15606(f)].....	(\$10,998,364)
(4.11) Resulting Final Insured Employers Workers' Compensation Fraud Account Assessment..	\$29,030,684

Calculation for Self- Insured Employers:

▶ (Fraud Assessment) X 28.65% = \$51,385,841 X 28.65%	\$14,722,043
▶ INCREASED by the Self-Insurer undercollection from prior year.....	\$605,837
(4.12) Resulting Final Self-Insured Employers Workers' Compensation Fraud Account Assessment.....	\$15,327,880

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Step 5: Calculate the Assessment Factors

Workers' Compensation Administration Revolving Fund Assessment Factor

(5.1) Calculation for Insured Employers:

$$\frac{\text{Total Insured Employers Assessment}}{\text{Total Direct Workers' Compensation*}} = \frac{\$113,607,543}{\$16,000,000,000} = \underline{\underline{0.007100}}$$

*Estimated Premium (Source: WCIRB estimate for 2014 Policy Year)

(5.2) Calculation for Self-Insured Employers:

$$\frac{\text{Total Self-Insured Employer Assessment}}{\text{Total Amt. of Workers' Comp. Indemnity Pd**}} = \frac{\$59,326,517}{\$1,695,778,390} = \underline{\underline{0.034985}}$$

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

(5.2.1)	2013-14 Public Sector.....	\$932,834,435
(5.2.2)	2013 Private Sector.....	\$581,793,014
(5.2.3)	2013-14 State of California***.....	\$175,663,927

*** SOURCE: Department of Personnel Administration

Uninsured Employers Benefits Trust (UEBT) Fund Assessment Factor

(5.3) Calculation for Insured Employers:

$$\frac{\text{Total Insured Employers Assessment}}{\text{Total Direct Workers' Compensation*}} = \frac{\$18,832,077}{\$16,000,000,000} = \underline{\underline{0.001177}}$$

*Estimated Premium (Source: WCIRB estimate for 2014 Policy Year)

(5.4) Calculation for Self-Insured Employers:

$$\frac{\text{Total Self-Insured Employer Assessment}}{\text{Total Amt. of Workers' Comp. Indemnity Pd **}} = \frac{\$9,765,375}{\$1,695,778,390} = \underline{\underline{0.005759}}$$

** 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:

$$\frac{\text{Total Insured Employers Assessment}}{\text{Total Direct Workers' Compensation*}} = \frac{\$8,611,085}{\$16,000,000,000} = \underline{\underline{0.000538}}$$

*Estimated Premium (Source: WCIRB estimate for 2014 Policy Year)

(5.6) Calculation for Self-Insured Employers:

$$\frac{\text{Total Self-Insured Employer Assessment}}{\text{Total Amt. of Workers' Comp. Indemnity Pd.**}} = \frac{\$5,438,376}{\$1,695,778,390} = \underline{\underline{0.003207}}$$

** 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:

$$\frac{\text{Total Insured Employers Assessment}}{\text{Total Direct Workers' Compensation*}} = \frac{\$37,572,278}{\$16,000,000,000} = \underline{\underline{0.002348}}$$

*Estimated Premium (Source: WCIRB estimate for 2014 Policy Year)

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(5.8) Calculation for Self-Insured Employers:

$$\begin{array}{rcl} \text{Total Self-Insured Employer Assessment} & = & \$18,360,209 \\ \text{Total Amt. of Workers' Comp. Indemnity Pd.**} & = & \$1,695,778,390 \end{array} = \underline{\underline{0.010827}}$$

** **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:

$$\begin{array}{rcl} \text{Total Insured Employers Assessment} & = & \$24,077,750 \\ \text{Total Direct Workers' Compensation*} & = & \$16,000,000,000 \end{array} = \underline{\underline{0.001505}}$$

*Estimated Premium (Source: WCIRB estimate for 2014 Policy Year)

(5.10) Calculation for Self-Insured Employers:

$$\begin{array}{rcl} \text{Total Self-Insured Employer Assessment} & = & \$13,283,934 \\ \text{Total Amt. of Workers' Comp. Indemnity Pd.**} & = & \$1,695,778,390 \end{array} = \underline{\underline{0.007834}}$$

** **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:

$$\begin{array}{rcl} \text{Total Insured Employer Surcharge} & = & \$29,030,684 \\ \text{Total Direct Workers' Compensation*} & = & \$16,000,000,000 \end{array} = \underline{\underline{0.001814}}$$

*Estimated Premium (Source: WCIRB estimate for 2014 Policy Year)

(5.12) Calculation for Self-Insured Employers:

$$\begin{array}{rcl} \text{Total Self-Insured Employer Surcharge} & = & \$15,327,880 \\ \text{Total Amt. of Workers' Comp. Indemnity Pd.**} & = & \$1,695,778,390 \end{array} = \underline{\underline{0.009039}}$$

** **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:

$$\text{Assessment Factor [0.007100] X Employer's Expected Assessable Premium*}$$

(6.2) Calculation for Individual Self-Insured Employers:

$$\text{Assessment Factor [0.034985] X Total Indemnity Paid by the Employer}$$

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

(7.1) Individual Insured Employers:

$$\text{Assessment Factor [0.001177] X Employer's Expected Assessable Premium*}$$

(7.2) Calculation for Individual Self-Insured Employers:

$$\text{Assessment Factor [0.005759] X Total Indemnity Paid by the Employer}$$

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

- (8.1)** Individual Insured Employers:
Assessment Factor [0.000538] X Employer's Expected Assessable Premium*
- (8.2)** Calculation for Individual Self-Insured Employers:
Assessment Factor [0.003207] 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 [0.002348] X Employer's Expected Assessable Premium*
- (9.2)** Calculation for Individual Self-Insured Employers:
Assessment Factor [0.010827] 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 [0.001505] X Employer's Expected Assessable Premium*
- (10.2)** Calculation for Individual Self-Insured Employers:
Assessment Factor [0.007834] 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 [0.001814] X Employer's Expected Assessable Premium*
- (11.2)** Calculation for Individual Self-Insured Employers:
Assessment Factor [0.009039] 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.