

WAC 296-15-225 Self-insurance second injury fund assessment.

(1) The second injury fund assessment is based on anticipated second injury fund costs. The fund is used to relieve employers' costs related to pensions that result from the combined effects of the industrial injury and another prior injury, preferred worker claims, and job modifications. The second injury fund assessment is experience rated based on a self-insurer's actual usage of the second injury fund in the previous three fiscal years. See RCW 51.44.040 for more information about experience rating. The department may estimate claims cost data when actual data from an employer has yet to be provided.

The department determines a self-insurer's second injury fund assessment rate annually for each fiscal year. The assessment is paid by active and inactive self-insurers quarterly at the same time a self-insurer submits its quarterly report.

(2) Self-insurers' relief from and contributions to the second injury fund will be recorded in an account separate from the state fund account. The self-insurers' second injury fund must maintain a two hundred thousand dollar minimum balance.

(3) The department uses the following process to determine the second injury fund assessment.

Definitions:

"A" = Individual self-insurer's total second injury fund costs (usage) for the previous three fiscal years.

"B" = All self-insurer's total second injury costs (usage) for the previous three fiscal years.

"C" = Individual self-insurer's claim costs for the previous three fiscal years.

"D" = Total self-insured claim costs for the previous three fiscal years.

"E" = Individual self-insurer's experience factor.

"F" = Individual self-insurer's claim costs for the previous fiscal year.

"G" = Total self-insured claim costs for the previous fiscal year.

(a) The department calculates the **preliminary base rate** necessary to ensure collection of adequate funds. The preliminary base rate is the estimated usage of the second injury costs for the coming fiscal year divided by the total estimated claims costs. The preliminary base rate is assessed to self-insurers certified after the fiscal year used for calculation.

(b) The department calculates the **preliminary adjusted rate**, by adjusting the preliminary base rate for over or under collections from prior periods. This rate is assessed to any self-insurer certified during or prior to the fiscal year used for calculation, and to any self-insurer who has voluntarily surrendered its self-insurance certificate.

(c) The department determines an **experience factor** for each self-insurer.

(i) The department calculates the self-insurer's **second injury fund usage share** by dividing the self-insurer's total second injury fund costs (usage) for the previous three fiscal years by the total second injury fund costs (usage) for all self-insurers in the previous three fiscal years.

$$\text{Second injury fund usage share} = A/B$$

(ii) The department calculates the self-insurer's **claims cost usage share** by dividing a self-insurer's claim costs over the previous

three fiscal years by the total claim costs for all self-insurers in the previous three fiscal years.

Claims cost usage share = C/D

(iii) The department calculates the self-insurer's **experience factor** by adding the second injury fund usage share to the claim cost usage share and dividing by 2, then dividing this total by the claims cost usage share.

Self-insurer's experience factor
(E) = [(A/B) + (C/D))/2] / (C/D)

(d) The department calculates the **weighted average factor** to determine what adjustments to the preliminary base and adjusted rates may be necessary because of prior over or under collection for the fund. The weighted average factor is the sum for all self-insurer's of each self-insurer's **experience factor** multiplied by their self-insured claim cost for the previous fiscal year, divided by the total self-insured claim costs for the previous fiscal year.

Weighted average factor = [(E x F) sum all self-insurers] / G

(e) The department determines the **final base rate** and the **final adjusted rate** for the fiscal year by dividing the preliminary base rate and the preliminary adjusted rate ((a) and (b) of this subsection) by the weighted average factor.

(f) The department determines the second injury fund assessment rate for each self-insurer by multiplying the self-insurer's experience factor by either the final base rate or the final adjusted rate.

(g) The total assessment due each quarter is calculated by multiplying the self-insurer's second injury fund assessment rate by the self-insurer's total claims costs during that quarter.

[Statutory Authority: RCW 51.44.040. WSR 10-20-132, § 296-15-225, filed 10/5/10, effective 11/5/10. Statutory Authority: RCW 51.14.077, 51.14.150, 51.14.160, 51.44.040, 51.44.070, and 51.44.150. WSR 09-13-018, § 296-15-225, filed 6/5/09, effective 7/6/09.]

Reviser's note: The brackets and enclosed material in the text of the above section occurred in the copy filed by the agency.