

AMENDATORY SECTION (Amending WSR 09-13-018, filed 6/5/09, effective 7/6/09)

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. ~~((Fifty percent of all self-insurers' second injury fund assessment rate is based on the self-insurers' estimated expenditures from the second injury fund. The other fifty percent is))~~ The second injury fund assessment is experience rated based on ((each self-insured employer's)) a self-insurer's actual ((expenditures from the fund)) 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 ~~((second injury fund))~~ 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 second injury fund assessment rate is determined annually for each fiscal year.))~~ 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) ~~((Each self-insurer uses one of two rates for the fifty percent of the second injury fund assessment rate that is based on total estimated expenditures.~~

~~(i) The base second injury fund assessment rate is based on fifty percent of) 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. ~~((This)) The preliminary base rate is ((used by any self-insured employer)) assessed to self-insurers certified after the fiscal year used for calculation.~~~~

~~((ii)) (b) The department calculates the **preliminary adjusted ((second injury fund assessment)) rate** ((includes the base rate with adjustments)), by adjusting the preliminary base rate for over or under collections from prior periods. This rate is ~~((used by any self-insured employer))~~ assessed to any self-insurer certified during or prior to the fiscal year used for calculation ~~((. This rate is also used by)),~~ and to any self-insurer who has voluntarily surrendered its self-insurance certificate.~~

~~((b) The second fifty percent of the second injury fund assessment is experience rated for each self-insurer based on each self-insurer's actual use of the second injury fund in the previous three fiscal years.~~

Note: The department may estimate claims cost data when actual data from an employer has yet to be provided.

Each self-insurer's experience rating will be calculated using the following steps:

$$\begin{array}{l}
 \text{(i)} \quad \frac{\text{A self-insurer's total second injury fund expenditures for the previous three fiscal years}}{\text{Total second injury fund expenditures for all self-insurers in the previous three fiscal years}} \\
 \text{(ii)} \quad \frac{\text{A self-insurer's self-insured claims costs for the previous three fiscal years}}{\text{Total self-insured claims costs for all self-insurers in the previous three fiscal years}} \\
 \text{(iii)} \quad \frac{[\text{The result of (b)(i) of this subsection}] + [\text{The result of (b)(ii) of this subsection}]}{2} \\
 \text{(iv)} \quad \frac{\text{The result of (b)(iii) of this subsection}}{\text{The result of (b)(ii) of this subsection}} = \text{the self-insurer's experience rate}
 \end{array}$$

~~(c) Each self-insurer's final combined second injury fund assessment rate is calculated using the following formula:~~

- ~~(i) 1/2 x [the appropriate base or adjusted rate]~~
- ~~(ii) [The result of (c)(i) of this subsection] x [the self-insurer's experience rate]~~
- ~~(iii) The result of (c)(i) of this subsection] + [The result of subsection (c)(ii) of this subsection] = the final combined second injury fund assessment rate.~~

~~(4)) (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.~~

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