

Assessment Calculation: ABC Insurance Co (EXAMPLE)

A. 135% of the Second Injury Fund disbursements during fiscal year 2007, Less remaining net assets equals the Second Injury Fund assessment:	<u>\$110,981,619</u>
B. Total Gross losses paid during calendar year 2006:	<u>\$795,635,556</u>
C. Aggregate Normalized Premium for calendar year 2006: (B x Normalized Expense Factor of 1.24) (Factor obtained from the SC Department of Insurance)	<u>\$986,588,089</u>
D. Assessment Rate: A divided by C	<u>.112490329</u>
E. Your normalized premium for calendar year 2006: (Your reported losses \$50,000 x Normalized Expense Factor of 1.24)	<u>\$62,000</u>
F. Your Assessment: D multiplied by E	<u>\$6,974</u>

FOR YOUR INFORMATION

South Carolina Code of Laws Section 42-7-310, provides, in part:

“(d) (2) equitable assessments upon each carrier which, as used in this section, includes all insurance carriers, self-insurers, and the State Accident Fund. Each carrier shall make payments to the fund in an amount equal to that proportion of one hundred thirty-five percent of the total disbursement made from the fund during the preceding fiscal year less the amount of net assets in the fund as of June thirtieth of the preceding fiscal year which the normalized premium of each carrier bore to the normalized premium of all carriers during the preceding calendar year. Each insurance carrier, self-insurer, and the State Accident Fund shall make payment based upon workers’ compensation normalized premiums during the preceding calendar year. The charge to each insurance carrier is a charge based upon normalized premiums. An employer who has ceased to be a self-insurer shall continue to be liable for all assessments into the Fund on account of any benefits paid by him during such calendar year. Any assessment levied or established in accordance with this section constitutes a personal debt of every employer or insurance carrier so assessed and is due and payable to the Second Injury Fund when payment is called for by the fund. In the event of failure to pay any assessment upon the date determined by the fund, the employer or insurance carrier may immediately be assessed a penalty in an amount not exceeding ten percent of the unpaid assessment. If the employer or insurance carrier fails to pay the assessment and penalty, they shall be barred from any recovery from the fund on all claims without exception until the assessment and penalty are paid in full.....”

“(d) (3) ‘Normalized premium’ is defined as gross paid losses before salvage and subrogation times a factor representing normalized expenses. Normalized expenses include taxes, licenses, fees, general expenses, profit, contingencies, and other expenses as reported on the Insurance Expense Exhibit of the NAIC Annual Statement blank. This normalized expense factor shall be computed annually by the Workers’ Compensation Commission by August first of each year and must be based upon aggregate expense information obtained from the Department of Insurance derived from insurers’ most recently filed annual statements.”