

Workers Compensation Administrative Tax

and Second Injury Fund Surcharge

To: All Workers' Compensation Insurance Companies, Self-Insured Employers, Group Funds and Third-Party Administrators

From: Keith Wenzel, Director, Missouri Department of Insurance
Karla M. McLucas, Director, Missouri Department of Labor and Industrial Relations

Date: January 27, 2000

Re: Workers' Compensation Administrative Tax and Second Injury Fund Surcharge

Effective January 1, 2000 (for calendar year 2000) the Workers' Compensation Administrative Tax will be fully abated and a 3 percent Second Injury Fund Surcharge will be assessed on workers' compensation premiums.

Beginning in 1994, Missouri abated the imposition of both assessments because of the large surplus in each account. These steps saved Missouri businesses \$100 million in taxes and surcharges during the period of abatement and reduction of the levies. In 1997, the tax and surcharge were reimposed but at only half of the authorized levels. The full amount of tax and surcharge was reimposed for calendar years 1998 and 1999 following several years of abated or substantially reduced Workers' Compensation Administrative Tax and Second Injury Fund Surcharge levies. The full abatement of the administrative tax for 2000 will provide substantial additional savings for Missouri businesses.

At the end of 1999, the projected balance of the Second Injury Fund will be \$9 million. Without the surcharge, this balance is insufficient to fund anticipated year 2000 claims and maintain the integrity of the fund for workers with prior disabilities.

The projected balance at the end of 1999 of the Workers' Compensation Administrative Fund will be \$33.6 million. Five and one-half million dollars of this projected balance is the money paid back to the fund by Missouri Employers Mutual Insurance Company. In 1993, the Missouri General Assembly authorized a loan to Missouri Employers Mutual from the administrative fund in the amount of \$5 million. In September 1999, the company paid back this loan with interest. In addition, the company's loan repayment has contributed to a healthy administrative fund thereby requiring an abatement of the tax for 2000.

Following are some additional achievements:

- Since 1994 when competitive pricing in Missouri became effective as a result of the passage of Senate Bill 251 in 1993, rate reductions have brought total savings in workers' compensation premiums to more than 23%.
- The overall rate reductions in 1999 have averaged 3.3 %, saving the Missouri business community \$18 million based on 1998 written premium.
- In the first year of the new millennium the Missouri Department of Insurance foresees stable rates and even the possibility of additional rate reductions.
- Workers' compensation losses (benefits paid and incurred) have dropped \$605.4 million in 1991 to \$334.8 million in 1998. In 1998 Insurers paid \$0.59 in benefits for each \$1.00 in premiums collected.
- Businesses, workers, insurers and government continue to work together to achieve these results which have fostered a healthy business environment, made Missouri an attractive and competitive workers' compensation market and provided fair treatment for injured workers.