

MISSOURI DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

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

From: Catherine Leapheart, Director, Missouri Department of Labor and
Industrial Relations
Keith Wenzel, Director, Missouri Department of Insurance

Date: January 19, 2001

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

For calendar year 2001, the state of Missouri will not levy a workers' compensation administrative tax for the second consecutive year, but will assess a reduced 2.5 percent surcharge on workers' compensation premiums for the Second Injury Fund. Together, the tax abatement and reduction will save Missouri employers more than \$25 million next year.

The Second Injury Fund surcharge of 2.5 percent is required because the fund will end calendar year 2000 with a projected balance of \$16.8 million, which will not cover anticipated 2001 claims. The projected balance of the Workers' Compensation Administrative Fund will be \$22.3 million. This balance will be sufficient to provide the necessary funding for the administration of the Division of Workers' Compensation.

The tax abatement and reduction for calendar year 2001 continues a seven-year history of minimizing the cost of the workers' compensation system for Missouri employers. Since 1994, Missouri businesses already have saved \$120 million because the workers compensation tax and Second Injury Fund surcharge were suspended or reduced. For calendar year 2001, businesses will realize an additional \$25 million in savings.

Besides the reduced tax burden, Missouri employers also have benefited from:

- A 24 percent reduction in average workers' compensation premium rates since January 1994, when the state deregulated rates and began relying on the private market to make pricing more competitive. This reduction saves Missouri businesses about \$175 million a year for those buying commercial coverage, not including self-insureds and others.

- Continuing overall declines in workers' compensation premium rates. Through the end of October, 164 insurers notified the Missouri Department of Insurance that they were lowering rates in 2000 by an average of 7.2 percent; only 73 insurers filed rate increases, averaging 7.8 percent.
- Recommendations from both the Department of Insurance and the industry's National Council of Compensation Insurance (NCCI) that insurers generally reduce rates further next year. Although workers' compensation rates are beginning to rise elsewhere, NCCI is advising insurers in Missouri to decrease rates by 0.5 percent, while the department's calculations justify rate cuts of 2.5 percent.

The Second Injury Fund surcharge is available on the Internet at www.dolir.state.mo.us or www.insurance.state.mo.us. Businesses also can call 573-526-4963 to order a copy through the mail.

The Department of Labor and Industrial Relations and the Department of Insurance look forward to working with you in 2001. If you have questions or need more information, contact the Division of Workers' Compensation at 573-751-4231 or the Department of Insurance at 573-751-3365.

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