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MEMORANDUM

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

From: Catherine B. Leapheart, Director
Missouri Department of Labor and Industrial Relations

Scott Lakin, Director
Missouri Department of Insurance

Date: December 17, 2001

Subject: Workers' Compensation Administrative Tax and Second Injury Fund Surcharge for Calendar Year 2002

As you know, the state of Missouri assesses a workers' compensation administrative tax and a surcharge to maintain the fiscal integrity of the Workers' Compensation Administrative Fund and the Second Injury Fund. During calendar years 2000 and 2001, the administrative tax, which can be up to 2.0 percent of the workers' compensation insurance premium paid by employers, was not assessed. For this same period, the Second Injury Fund surcharge on premiums was 3.0 percent and 2.5 percent respectively.

During the coming calendar year 2002, the state of Missouri will assess a workers' compensation administrative tax of **1.0 percent**, and a Second Injury Fund surcharge of **2.5 percent**.

The revenue from the administrative tax is used to fund the administrative expenses of the Division of Workers' Compensation. As referred to above, for the past two years there has been no levy of the administrative tax because the balance in the fund was enough to cover division expenses. However, the balance in the fund has now been drawn down to a level that is less than that required to meet projected calendar year 2002 expenses.

State law requires the director of the division of workers' compensation to estimate the amount of revenue required to administer the workers' compensation program each year and to determine the rate of tax to be paid in the following calendar year. If the estimated available balance of the fund on December 31 of the year the tax rate determination is made falls below 110 percent of the previous year's expenses, the director must impose a tax not to exceed 2.0

percent. Based on the division director's assessment of the fund balance and projected expenditures, only a 1.0 percent tax levy is needed for calendar year 2002.

The revenue from the Second Injury Fund surcharge assessment is used to pay benefits from the fund. The amount of surcharge assessed must be adequate to generate, as nearly as possible, 110 percent of the amount projected to be paid from the Second Injury Fund in the ensuing calendar year, minus the balance contained in the fund at the end of the previous calendar year.

State law requires the director of the division of workers' compensation to estimate the amount of benefits payable from the Second Injury Fund during the ensuing calendar year and to calculate the total amount of the annual surcharge to be imposed. Based on the division director's assessment of the fund balance and projected expenditures, this assessment will remain at the 2.5 percent level, the same as it was for the current year.

A copy of the Second Injury Fund surcharge form 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 mailed copy.

The Department of Labor and Industrial Relations and the Department of Insurance look forward to working with you in 2002. If you have questions or need more information, contact the Division of Workers' Compensation at 888-837-6069 or the Department of Insurance at 800-394-0964.