

August 28, 2002

ALL ASSOCIATION MEMBERS

Circular Letter No. 02-1392

RE: Minnesota Special Compensation Fund Assessment

The Special Compensation Fund (SCF) supports the mission of the Department of Labor and Industry to provide workers' compensation protection to Minnesota employees by enforcing the state's workers' compensation mandatory coverage requirements, providing insurance information, providing certain benefits and reimbursements on behalf of eligible employees and insurers, and by collecting the assessments that fund Minnesota's workers' compensation programs. In addition to paying benefits to injured workers, the assessment pays the operating expenses of the workers' compensation and Occupational Safety and Health divisions of the Department of Labor and Industry, the Office of Administrative Hearings and the Workers' Compensation Court of Appeals.

Effective July 1, 2003 the method for calculating assessments has changed. Insurers are now required to implement a method of assessing insured employers based on premium, collectible through a policyholder surcharge. Under this new law assessments when collected do not constitute an element of loss for the purpose of establishing rates for workers' compensation insurance, but for the purpose of collection are treated as separate costs imposed on insured employers. The premium surcharge is included in the definition of gross premium for premium tax purposes.

Effective January 1, 2003, in accordance with the Minnesota Department of Commerce Bulletin 2002-7, all insurers are required to refile their rates, excluding the effect of the special compensation fund assessment from their rate structures. Insurers must identify the effect of the assessment as a surcharge on each policy. Any Special Compensation Fund surcharge methodology that an insurer chooses to use need not be filed with the Minnesota Department of Commerce.

Statistical classification Code 0174 has been established for reporting purposes. This premium is not subject to experience modification and should be reported on Lines D, E or F of the unit statistical card.

Refer to the 2003 Minnesota Ratemaking Report for further information on the Special Compensation Fund assessment. If you have further questions, please contact our office.