

October 31, 2018
SECOND INJURY FUND
STATUS REPORT

Pursuant to IC 22-3-3-13, the Worker's Compensation Board hereby informs you that an assessment to the Second Injury Fund will be necessary in 2019 to insure that beneficiaries continue to receive their statutory awards of compensation and/or prosthetic replacements from the Fund. While the Fund has sufficient monies to pay its obligations through the end of December, we do see issues with the way we have calculated the assessment in recent years. These are discussed below.

The balance remaining in the Fund as of September 28, 2018 was \$2,703,389. Disbursements for 2017 totaled \$6,339,251. In accordance with IC 22-3-3-13(c) (2), an assessment is appropriate for 2019 because the assets in the Fund on or before November 1st are less than 135% of the previous year's payments.

The assessment for 2018 was calculated to bring in \$6,178,189. However, only \$5,769,745 was collected. This is a product of using two-year-old data and the positive changing condition of reduced losses and premium costs.

We have used a 4% inflation factor for both indemnity and prosthetics in recent years, in an effort to collect sufficient monies but not create a surplus. However, prosthetic

expenses have been growing by approximately 19% each year for several years now.

Monthly indemnity payouts average roughly \$450,000. While this is significant, the amount does not grow exponentially each year due to deaths of some recipients offsetting the addition of others. However, the ones added to the roles come in at higher salaries.

Approximately \$134,000 is spent to replace prostheses each month. We have seen a growth in the number of recipients as well as the cost of even middle-of-the-road artificial limbs. We have younger people in this category, who benefit greatly from more advanced prostheses that enable them to continue working at better paying jobs. However, replacements of these are necessary more often than with simple limbs and will be a significant cost of the Fund for many years to come.

Please expect the assessment in 2019 to be higher than it has in the last few years, in order to better collect for the Fund's actual needs. Look for a higher inflation factor on prosthetics to compensate for the drain on the Fund that replacements have taken.

As always, please reach out to me if you have questions or comments. Lindahamilton1113@gmail.com. (317) 232-3821.

Yours very truly,

Linda Peterson Hamilton