



Florida Department of Labor and Employment Security  
Division of Workers' Compensation  
Director's Office

Jeb Bush  
Governor

Mary B. Hooks  
Secretary

June 29, 2001

Charles Williams  
Director

**Bulletin**

To: Florida Workers' Compensation Carriers and Self-Insurance Funds  
From: Charles D. Williams, Director *CDW*  
Subject: Section 440.51 Florida Statutes: Expenses of Administration and the determination of Full Policy Premium Value beginning July 1, 2001

Chapter 2000-150, Laws of Florida, requires that full policy premium value be utilized when computing the Administration Trust Fund assessment on deductible policy premiums collected after July 1, 2001. Beginning with the July 1, 2001 through September 30, 2001 period, if a policy is a deductible policy, the assessment attributable to that policy should be computed prior to the application of the deductible credit. Regardless of the size of the deductible, the full policy premium value can be determined by the following formula:

**Full policy premium value equals the premium that would be charged after all applicable adjustments (drug free workplace credits, safety credits, experience modification factor, standard discounts, expense constants, etc.) but without the premium adjustment resulting from the deductible clause of the policy.**

Attachment A illustrates the application of this formula to determine full policy premium value for a deductible policy. Also shown is the calculation of the portion of the policy premiums that will be assessed during third quarter 2001, when premiums are collected on a monthly basis.

The changes in Chapter 200-150, Laws of Florida, relative to reporting of full policy premium applies to premiums reported to the Division for the Administration Trust Fund. Deductible credits are still allowed on premiums reported to the Division for the Special Disability Trust Fund. The division is aware of the magnitude of the task in calculating two separate premium amounts for every deductible policy your company will write in

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the future. Additionally, for a short time period you may also be required to determine full policy premium value for polices that became effective prior to July 1, 2001.

The division investigated various methods that would allow the determination of premiums to be assessed, including full policy premium value of deductible policies and premiums for any non-deductible policies. As a result of this investigation, including consideration of the premiums that would be reported over time, you may report premiums under either of the following methods:

- 1) Premiums reported for the quarter will equal those premiums that would be reported as Earned Premiums on the Annual Report (Statutory Page 14) plus prorated deductible premiums credits. The total of these two amounts can be reduced by dividends paid or credited to policyholders during the assessment period (section 624.5094 Florida Statutes).

or

- 2) Full policy premium value can be calculated for each deductible policy in force during the assessment period and prorated for the applicable time period. The total of the prorated full policy premium value for deductible policies and the net collected (or earned) premiums for non-deductible policies can be reduced by dividends paid or credited to policyholders during the assessments period (section 624.5094 Florida Statutes).

When the third quarter 2001 Carrier and Self-Insurance Fund Quarterly Premium Report is completed, your company should elect one of the above methods to report premiums for the Administration Trust Fund assessment. Once that selection has been made, you will be expected to continue using that method in subsequent assessment periods.

Attachment B is a sample form that was developed to provide guidance in the determination of compensation premiums to be reported for the Administration and Special Disability Trust Fund assessments. It is recommended that this sample form, or a similar form developed by your company, accompany each Carrier and Self-Insurance Fund Quarterly Premium Report submitted to this office. Please feel free to copy or utilize the sample form as needed.

If you have questions, please contact Evelyn Vlasak, Assessments Coordinator, at (850) 414-2778.

Attachments (2)

**Bulletin 228**

**An illustration of the calculation of full policy premium value for a deductible policy, beginning July 1, 2001.**

<b>Part I: Determination of full policy premium value for a single deductible policy</b>				
Manual (Gross) Premium = Manual Rates x Payroll per Classification Code				2,500,000.00
Applicable Drug Free Credit (5%), effective 365 days of this policy period	-			125,000.00
Applicable Safety Credit (2%)	-			50,000.00
Adjusted Gross Premium	=			2,325,000.00
Experience Modification Factor	x		0.92	
Modified Premium	=			2,139,000.00
Applicable Construction Credit	-			0.00
Plus/minus flat adjustment of	%		0.00	
<b>TOTAL ADJUSTED PREMIUM (Standard Premiums.):</b>	<b>=</b>			<b>2,139,000.00</b>
<b>Less Standard Premium Discounts:</b>				
	<b>Rate</b>	<b>Discount</b>		
First \$ 5,000 of premium \$5,000.00	0.0%	0.00		
Next \$ 95,000 of premium \$95,000.00	10.9%	10,355.00		
Next \$400,000 of premium \$400,000.00	12.6%	50,400.00		
Over \$500,000 of premium \$1,639,000.00	14.4%	236,016.00		
Total Discount		296,771.00	-	296,771.00
Expense Constant			+	200.00
<b>Full Policy Premium Value</b>	<b>=</b>			<b>1,842,429.00</b>

<b>Part II: Determination of prorated full policy premium value that would be reported for third quarter 2001 when premiums are collected monthly</b>	
Full policy premium value	1,842,429.00
Monthly premium payment	153,535.75
Premiums payments made during third quarter 2001	3.00
<b>Amount to be included in the Administration Trust Fund assessable premiums</b>	<b>460,607.25</b>

In order to determine the total amount of full policy premium value to be reported for any given quarter, beginning July 1, 2001, this procedure would need to be duplicated for all deductible policies (for which premiums have been collected during the quarterly period).

**Attachment B**

<b>Florida Department of Labor</b>	<b>Company Name:</b> _____
<b>Division of Workers' Compensation</b>	<b>Company FEIN:</b> _____ - _____
<b>Bureau of Operations Support</b>	<b>Carrier Number:</b> _____

Reporting Period:    1st Qtr \_\_\_\_\_    2nd Qtr \_\_\_\_\_    3rd Qtr \_\_\_\_\_    4th Qtr \_\_\_\_\_

<b>Premium for the Administration Trust Fund Assessment</b>	
Method 1) Premiums reported equals those premiums that are to be reported as Earned Premiums on the Annual Report (Statutory Page 14) plus applicable prorated deductible premium credits.	
Earned Premiums for the calendar year quarter (reflects returned premiums)	_____
Collected premiums included in the above Earned Premiums that have already been assessed (attach specific policy details if this amount is not equal to zero)	- _____
Deductible premium credits (prorated for the assessment period)	+ _____
Dividends paid or credited to policyholders during this period	- _____
Premiums for the Administration Trust Fund quarterly assessment	= _____
Method 2) Full policy premium value has been separately calculated for each deductible policy and prorated for the applicable time period. (backup documentation to be attached)	
Deductible policies: full policy premium value to be assessed this quarter	_____
Non-deductible policies: premiums collected (or, earned - returned premiums)	+ _____
Dividends paid or credited to policyholders during this period	- _____
Premiums for the Administration Trust Fund quarterly assessment	= _____

<b>Premiums for the Special Disability Trust Fund Assessment</b>	
Statutory Pg. 14 Direct Premiums Written (includes offset for premiums returned)	
	_____
Dividends paid or credited to policyholders during this period	- _____
Premiums for the Special Disability Trust Fund quarterly assessment	= _____

\_\_\_\_\_ *Print Name*

\_\_\_\_\_ *Signature*

\_\_\_\_\_ *Title*

\_\_\_\_\_ *Date*