

Explanation of Insurance Surcharges

By law, all California insurance carriers must participate in the surcharge programs described below. This participation involves collecting statutory surcharges from policyholders, through premium surcharges, to assure adequate funding for each program.

WCFA SURCHARGE

California Labor Code Section 62.6

Workers' Compensation fraud is illegal and a felony. If convicted, the person can face up to 5 years in prison and/or up to a \$150,000 or double the value of the fraud, whichever is greater. The Workers' Compensation Fraud Assessment surcharge provides funds for the investigation and prosecution of workers' compensation fraud.

WCA SURCHARGE

California Labor Code Section 62.5

The Workers' Compensation Reform Act of 1989 devised several provisions to speed resolution of claims, including the reorganization and increased functioning of the Division of Workers' Compensation. The Reform Act created the Workers' Compensation Administration Revolving Fund to help defray the administrative cost of implementing some of these provisions.

UEBT SURCHARGE

California Labor Code Section 62.5

In 2003, the Legislature enacted AB 227, establishing the Uninsured Employers Benefits Trust Fund to pay for benefits to injured employees of illegally uninsured employers.

SIBT SURCHARGE

California Labor Code Section 62.5

AB 227 also established the Subsequent Injuries Benefits Trust Fund. This Fund pays for benefits to workers who have suffered serious injury and who are suffering from previous and serious permanent disabilities or physical impairments.

OSHF SURCHARGE

California Labor Code Section 62.5

AB 1389 (2008) established the Occupational Safety and Health Fund (OSHF) to promote safe and healthful working conditions for all California working men and women. It provides funds to the Division of Occupational Safety and Health, the Occupational Safety and Health Standards Board, and the Occupational Safety and Health Appeals Board to implement and enforce occupational health and safety laws in the state.

CA SURCHARGE (CIGA)

California Insurance Code Section 1063.5

Under the California Insurance Code, all authorized California insurers are required to participate in the California Insurance Guarantee Association (CIGA). CIGA settles unpaid claims of insolvent insurers by assessing each carrier its fair share. California law requires all companies to surcharge policies to recover these assessments. Through CIGA, the entire insurance industry assumes responsibility for any defunct carriers' obligations to its claimants. If an assessed surcharge applies to your policy, the final bill will state:

- WCFA SURCHARGE
- WCA SURCHARGE
- UEBT SURCHARGE
- SIBT SURCHARGE
- CA SURCHARGE
- OSHF SURCHARGE

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