

Estimated Actuarial Liability for Worker's Compensation
for Non-CFO Act Entities FY 2026 (Unaudited)

In FY 2026, the methodology for billable projected liabilities included, among other things: (1) an algorithmic model that relies on individual case characteristics and benefit payments (the FECA Case Reserve Model) and (2) incurred but not reported claims were estimated using the patterns of incurred benefit liabilities in addition to those of payments.

Attached is a calculator for estimating a FECA actuarial liability (unaudited) for an entity not specifically listed in the results of the FECA actuarial model, based on an extrapolation from the actual charges experienced recently by the Agency. This procedure is not an allocation of a listed liability amount – the total liabilities calculated for an agency's sub agencies would not necessarily add to the amount listed for the Agency as a whole. It is, however, a way to calculate a reasonable estimate of liability for an unlisted entity.

For both compensation and medical, the calculation takes the amount of benefit payments for the entity over the last 12 quarters and calculates the annual average of payments. Compensation and medical payments can be found in the chargeback reports that are issued quarterly to the agencies by FECA.

The two average benefit payment amounts are then multiplied by the respective compensation and medical liability to benefits paid ratios from the whole FECA program for the past three years, which have been entered into the spreadsheet already. These ratios vary from year to year as a result of economic assumptions and other factors but, roughly speaking, the model calculates liability-to-payment ratios (LPRs) of 6.98 times and 11.74 times the annual medical payments and compensation payments, respectively, as averaged over three years. For your reference, we have provided the calculations for how the 6.98 and 11.74 LPRs were derived. [See Table: Calculation of the Primary Liability-to-Payment Ratios.]

To reflect the variability of the situations at different agencies, each agency should exercise judgment in selecting the amount to record as its actuarial liability, whether it is the amount from the model based on 100 percent of LPR, the amount based on LPR decreased by 10 percent, or the amount based on LPR increased by 10 percent. Factors to consider include: the trend of payments over the past few years and any known recent variations in the incidence or nature of new FECA claims. Thus, an agency with a history of declining payments or a declining number of employees might select a lower estimate as the most reasonable, while an agency with an unusually increasing number of payments might select a higher estimate as most appropriate. Similarly, an agency that has had a recent increase in new claims might use a higher estimate. Young agencies will often fall into the latter two categories and should choose the higher estimate.

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This calculator is intended for situations where the FECA actuarial liability is immaterial to the agency's financial statements. If that is not the case, management should consider adopting a more exhaustive actuarial model approach to estimating this liability.

As a last resort, for agencies with very small numbers of claims, a census driven methodology may be more appropriate. For instance, management might evaluate each claim: consider the nature of the injury, the age of the claimant, estimated duration, and other data to arrive at an estimate of expected payments by case. Management would then have to consider whether the claims history is sufficient to provide a basis by which to measure incurred but unreported claims. As a rule, this should not be done without first considering the estimate using this model.

The American Rescue Plan Act of 2021 (ARPA), P.L. 117-2, section 4016, "Eligibility for Workers' Compensation Benefits for Federal Employees Diagnosed with COVID-19," mandated that the FECA Special Benefits Fund assume an **unreimbursed** liability (i.e., a liability that is not chargeable to the agencies) for approved claims of certain covered employees for injuries proximately caused by exposure to the novel coronavirus that causes COVID-19 (or another coronavirus declared to be a pandemic by public health authorities) while performing official duties during the covered exposure period. Pursuant to the ARPA, COVID-19 claims filed or adjudicated under the ARPA standards after March 11, 2021 and where COVID-19 is diagnosed on or before January 27, 2023 are included in the **non-billable** liabilities; accordingly, the methodology for the Workers Compensation Liability Calculator for 2025 properly omits these future benefits. In FY 2026, the methodology was refined to reflect the ARPA September 30, 2030 statutory limit for payments.

Steps for Obtaining Your Sub-Agency Liability Estimate:

1. Determine the amounts of medical and compensation benefits that were paid to the desired sub-agency for each of the current and prior two fiscal years and enter those amounts for medical (inputs 1 through 3) and compensation (inputs 4 through 6). If the actual amounts are not available, then use estimated benefit amounts.
2. Review the Liability-to-Payment Ratios (LPRs) that are displayed in the "WCLC Liability Estimates (Per Liability Ratios and User's Sub-Agency Inputs)." The primary liability estimates are determined by multiplying the LPRs by the average benefit amounts derived from the data entered in Step 1. Alternative estimates are provided for situations where a lower or higher liability estimate is warranted. Evaluate the payment and case history of the sub-agency to choose the appropriate liability estimate (primary, upper end, or lower end).
3. Document the decision process in Step 2 with appropriate memos and analysis.
4. Record the liability.

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Workers' Compensation Liability Calculator - FY 2026

U.S. Department of Labor / Office of Workers' Compensation Programs

Template for User's Sub-Agency Benefits Input Data

(Based upon benefit averages from prior three years)

Typical Data Source	Period		Medical Benefits		Compensation Benefits	Total Benefits
Chargeback Data Extracted for specific sub-agency	FY 2024	Input 1 →	\$110,000	Input 4 →	\$ 250,000	\$ 360,000
Chargeback Data Extracted for specific sub-agency	FY 2025	Input 2 →	120,000	Input 5 →	260,000	380,000
Chargeback Data Extracted for specific sub-agency	FY 2026	Input 3 →	130,000	Input 6 →	270,000	400,000
Average annual benefit payments			\$120,000		\$ 260,000	\$ 380,000

WCLC Liability Estimates

(Per Liability-to-Payment Ratios and User's Sub-Agency Inputs)

			Medical		Compensation	Med. + Comp.	Variation (%) from Primary
Primary Estimate	LPR		6.98		11.74		0%
	Liability		\$837,600		\$3,052,400	\$3,890,000	
Upper End Estimate	LPR		7.68		12.91		10%
	Liability		\$921,600		\$3,356,600	\$4,278,200	
Lower End Estimate	LPR		6.28		10.57		-10%
	Liability		\$753,600		\$2,748,200	\$3,501,800	

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Calculation of the Primary Liability-to-Payment Ratios

Based on FECA Future Liability Results for Billable Agencies

Medical LPR Calculation

CBY	Benefits Paid	Liability Estimate	LPR
2024	\$ 834,357,990	\$ 6,328,655,000	7.59
2025	885,646,602	6,107,176,000	6.90
2026	836,634,820	5,397,976,000	6.45

Compensation LPR Calculation

CBY	Benefits Paid	Liability Estimate	LPR
2024	\$2,129,913,759	\$26,267,011,000	12.33
2025	2,248,144,976	26,516,111,000	11.79
2026	2,239,731,990	24,908,122,000	11.12

Three-year Summary

	Benefit Total	Liability Total	LPR
Medical	\$2,556,639,412	\$17,833,807,000	6.98
Compensation	6,617,790,725	77,691,244,000	11.74

Note: Benefit and liability amounts are expressed in current dollars.