

Theodore R. Kulongoski
Governor



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Governor Cites Government Efficiency and Successful Reforms in Announcing Reduced Workers' Compensation Costs for 2004

(Portland, OR) - Governor Theodore Kulongoski today announced that two state business fees used to pay for workers' compensation and workplace safety programs will be reduced next year, in part to reflect administrative cost savings by the agency that manages those programs. At the same time, the Oregon workers' compensation "pure" premium rate for 2004 will remain flat, marking two years of stable rates after twelve consecutive years of rate reductions - a national record worth billions in cumulative cost-savings to Oregon employers.

This stands in stark contrast to rising workers' compensation costs facing employers in California and Washington. Workers' compensation premiums in California have doubled since 2000, propelling the system there into a crisis. Premiums in Washington increased by 29 percent in 2003, and officials recently proposed an additional 19.4 percent increase for 2004.

Oregon's announcement means that employers here can expect to pay about the same amount on average for their workers' compensation insurance premiums in 2004 as they did in 2003, and less overall on workers' compensation because of the reduced fees. Taken as a whole, employers will save approximately \$22.7 million in workers' compensation costs next year.

"Oregon's workers' compensation system gives businesses in our state a competitive advantage," Governor Kulongoski said. "Oregon employers continue to benefit from the strength and stability of a reformed system built on consensus and cooperation among employers, workers and government. And our administrative cost savings reaffirm that state agencies are taking very seriously their responsibility to reduce the economic burden of regulation."

Workers' compensation premiums

The workers' compensation "pure" premium rate is the average rate employers pay to their insurance company for workers' compensation coverage. It is the base premium, reflecting the actual cost of workplace injury and illness claims, before insurer administrative expenses and profit are added.

The unchanged rate for 2004 means that Oregon employers will benefit from two years of stable rates following twelve consecutive years of reductions, from 1991 to 2002. The cumulative cut in workers' compensation insurance costs since 1990 totals 57.4 percent, with resulting savings to employers of approximately \$8.8 billion.

Although the state sets the pure premium rate, premiums do not fund state programs or services. The unchanged pure premium rate for 2004 represents an average across all types of businesses. Rates for specific businesses and industry groups may be higher or lower depending on group and individual claims experience.

Workers' compensation premium assessment

State analysts have recommended that the workers' compensation premium assessment rate be reduced from 8.0 percent to 7.0 percent for 2004, a 12.5 percent reduction on the total assessment that brings it to its lowest level in six years.

The premium assessment is dedicated to the state's administration of the workers' compensation system, plus workplace safety and health programs. Employers pay the assessment based on the total premium charged to them by their insurer. Insurers collect the assessment and then transfer it to the state. Self-insured employer groups will pay 7.2 percent if the staff recommendation is adopted.

The Department of Consumer & Business Services will hold a hearing to invite public comment on the recommendation on October 9 at 9 a.m. in conference room "E" of the Labor and Industries Building, 350 Winter Street NE in Salem. The department's director will consider any comments submitted before making a final rate decision.

Workers' Benefit Fund assessment

The Workers' Benefit Fund assessment rate for 2004 will drop to 3.4 cents. This applies to each hour or partial hour worked by each paid employee covered by an employer's workers' compensation policy. This is down from 3.6 cents in 2003.

Formerly known as the "cents-per-hour" assessment, the assessment supports certain direct benefits to injured workers. Employers pay at least one-half the assessment and deduct no more than one-half from their employees' wages. Most employers must then submit the complete amount to the state on a quarterly basis.

Employers who fail to provide workers' compensation coverage required by law are still subject to the assessment, which is collected retroactively along with other penalties.

Results

Because of the cumulative premium reductions, Oregon's national ranking in workers' compensation costs moved from sixth most expensive in the nation in 1986 to 35th by 2002. During this time, maximum benefits for permanently disabled workers in Oregon have increased dramatically to a compensation level close to the national median.

Meanwhile, increased emphasis on workplace safety has driven Oregon injury and illness rates down by 46.8 percent in the private sector and by 27 percent in the public sector since 1988. This includes all work-related injuries and illnesses recordable under OSHA standards, regardless of whether they later resulted in accepted claims for workers' compensation benefits.

The new premium and assessment rates will go into effect January 1, 2004.

[Charts from the Governor's press conference are attached.](#)