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Oregon workers' compensation premiums to remain flat next year; state fees to drop

Governor Kulongoski credits low costs with the ability to attract and retain business

(Portland, Ore.) – The Oregon Department of Consumer & Business Services today announced that the average "pure" premium rate employers pay for Oregon workers' compensation insurance will remain flat in 2006, marking the fourth year in a row with no average change after twelve consecutive years of rate reductions – a national record that has resulted in cumulative cost-savings worth billions of dollars to Oregon employers.

At the same time, DCBS announced plans to reduce two state fees that pay for workers' compensation and workplace safety programs, cutting costs for Oregon businesses by an estimated \$33.4 million in 2006 alone. State officials have either reduced these fees or kept them flat each year for the past four years as well.

"Low workers' compensation costs are a critical tool for expanding and recruiting business in Oregon," Governor Ted Kulongoski said. "To continue our success, we must work together to keep workers safe on the job. Keeping costs down depends on keeping workers healthy and injury-free."

On average, employers in Oregon can expect to pay about the same amount for their workers' compensation insurance premiums in 2006 as they have in 2005, but because of the fee reductions their overall workers' compensation costs will be lower. Specific cost changes will vary from business to business, depending on a given employer's industry, claims experience, workforce, and other factors.

DCBS Director Cory Streisinger noted that cost reductions are only part of the story: Maximum benefits for permanently disabled workers in Oregon have increased dramatically since workers' compensation reform began in the 1990s, to a compensation level above the national median, while temporary total disability benefits have increased to 133 percent of the state's average weekly wage. Work to maintain fairness and control costs in the workers' compensation system is ongoing.

"The 2005 Legislature enacted measures to improve benefits and assure fairness for injured workers with respect to areas such as independent medical exams and permanent total disability," Streisinger said. "At the same time, we continue to work with employers to make workplaces safer so that fewer workers will need to file claims in the first place."

Oregon's worker's compensation rates are released each fall for the following year. The 2006 workers' compensation rates announced today mean that Oregon will continue to stand out from neighboring states. Washington officials recently proposed an average premium increase of 3.8 percent for next year. California has announced significant rate decreases as recent workers' compensation reforms take effect, but costs there are still much higher than those in Oregon. A 2004 study by DCBS found that Oregon's premiums had dropped to 42nd in the nation, while Washington's were 35th and California's were the most expensive. The department will conduct a new rate ranking study next year.

(Attachments)

2006 Workers' Compensation Costs in Oregon

Workers' compensation insurance premiums

The average pure premium rate Oregon employers will pay for workers' compensation insurance in 2006 will remain unchanged from 2005. The pure premium rate is the base premium reflecting the actual cost of workplace injury and illness claims, before insurer administrative expenses and profit are added. This means that, on average, employers' workers' compensation premium costs for the year will remain flat. This is the fourth year in a row with no change, following 12 consecutive annual decreases, 1991 to 2002. The cumulative decrease in pure premiums since 1990 totals 57.4 percent and represents an estimated \$11.5 billion in workers' compensation premium savings to employers. *The unchanged 2006 rate 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 claim records. Employers pay their premiums directly to their insurers. Although the state sets the pure premium rate, premiums do not fund state programs or services.*

Workers' compensation premium assessment

Analysts with the Department of Consumer & Business Services have recommended that effective January 1, 2006, the assessment used to fund workers' compensation related programs and workplace safety and health programs that serve Oregon employers and workers be set at an amount equal to 5.5 percent of the premiums charged for workers' compensation coverage. These programs are administered primarily through DCBS. The recommended 2006 rate would be down from 6.8 percent, the rate effective during 2005. This would amount to a reduction of over 19 percent in the total assessment, bringing it to its lowest level since 1997. Self-insured employers and self-insured employer groups would pay a rate of 5.7 percent. *Workers' compensation insurers, self-insured employers, and self-insured employer groups pay this assessment to the state. Insurers can pass on the cost of the assessment to the employers they cover, but must identify that cost as a separate line item on billing statements.*

DCBS will hold a hearing to invite public comment on the recommended premium assessment rate on October 7 at 10 a.m. in conference room "B" of the Labor & Industries Building, 350 Winter Street NE in Salem. The DCBS Director will consider any comments submitted before making a final rate decision.

Workers' Benefit Fund assessment

For calendar year 2006, the Department of Consumer & Business Services has set the Workers' Benefit Fund assessment rate at 3.0 cents, down from 3.4 cents in 2005. This applies to each hour or partial hour worked by each paid employee provided with workers' compensation insurance coverage. The Workers' Benefit Fund assessment pays for certain programs that provide direct benefits to injured workers and their beneficiaries. The fund also provides money to help employers help injured workers return to work. Employers who fail to provide workers' compensation coverage required by law are still subject to the assessment, which will be collected retroactively. *The rate of 3.0 cents per hour is the employer's and worker's rate combined. Employers pay at least half (1.5 cents per hour) of this assessment and deduct no more than half of it from workers' wages. Employers then submit the total to the state through Oregon's Combined Payroll-Tax Reporting System.*

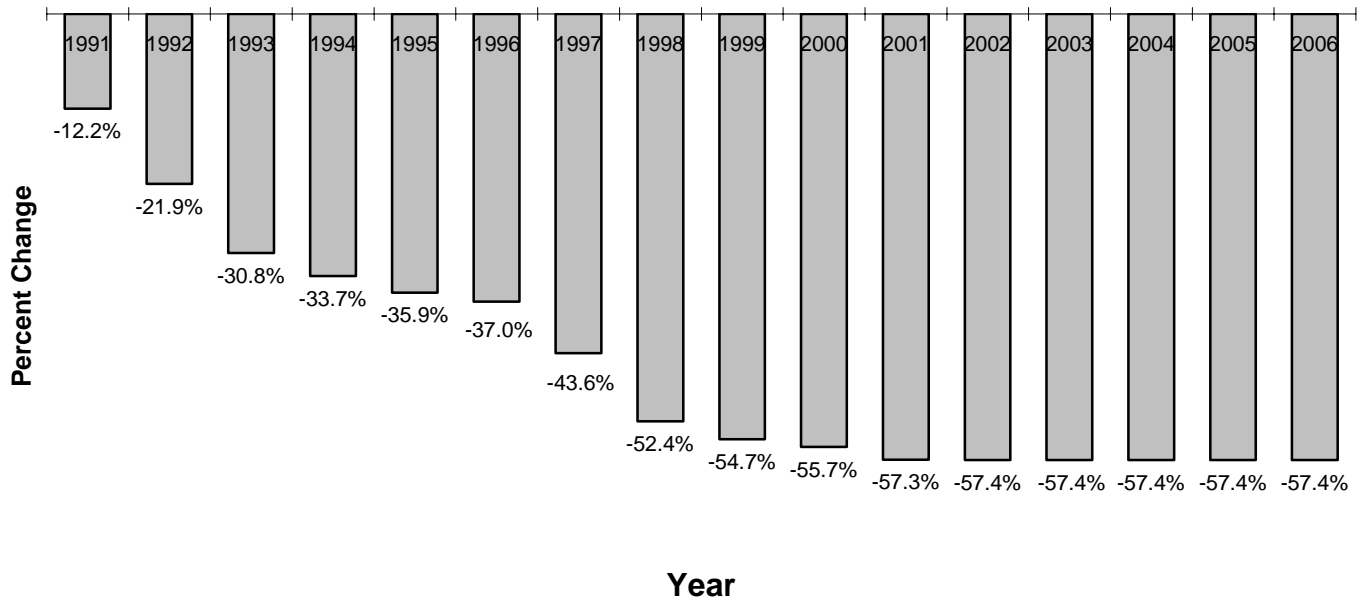
Results

Oregon's national ranking in workers' compensation costs moved from sixth most expensive in the nation in 1986 to 42nd by 2004. During this time, maximum benefits for permanently disabled workers in Oregon have increased dramatically to a compensation level above the national median, while temporary total disability benefits have increased to 133 percent of the state's average weekly wage.

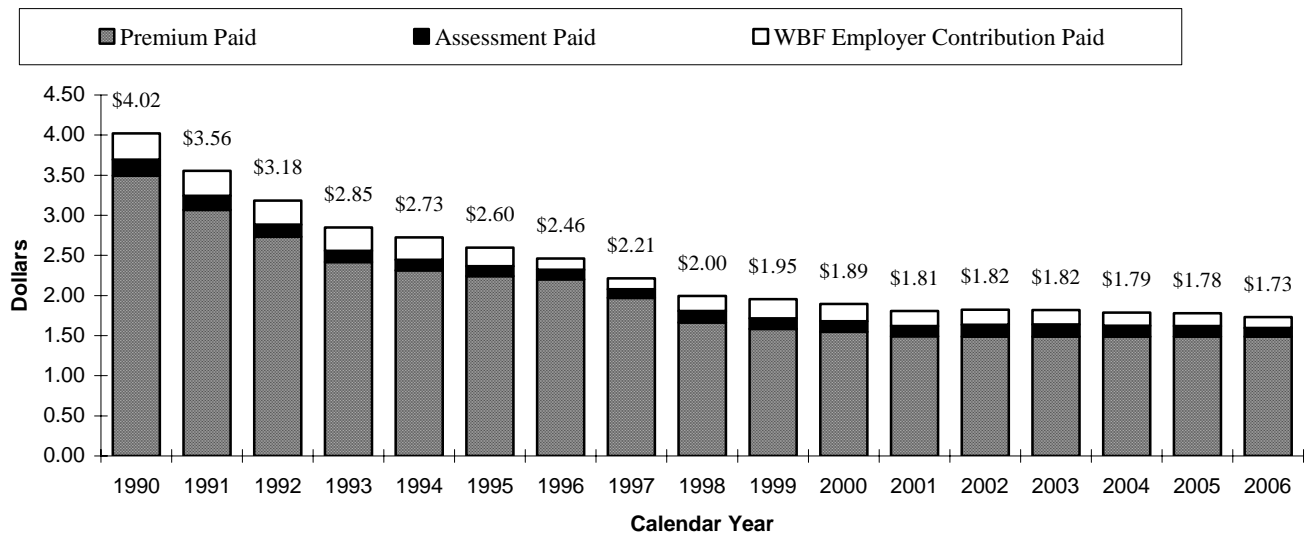
Meanwhile, increased emphasis on workplace safety has driven Oregon injury and illness rates down by nearly 48 percent in the private sector and over 39 percent in the public sector since 1988. This includes all work-related injuries and illnesses recordable under OSHA standards, regardless of whether they later resulted in accepted claims for workers' compensation benefits.

The new premium and assessment rates will go into effect January 1, 2006.

Cumulative pure premium rate change, 1990-2006



Total pure premium, assessment, and contribution paid per \$100 of payroll*



*The above chart does not include insurer costs, known as expense loading factors.

Workers' compensation insurance premium costs per \$100 of payroll among Oregon's neighbors

	National premium rate ranking in 2004 (1= most expensive, 51= least expensive)	Jan-04	Jan-05	Jan-06
Montana	8	3.41	3.41	3.82
California	1	6.08	5.53	3.81
Nevada	26	2.58	2.41	2.50
Idaho	34	2.25	2.37	2.37
Washington	35	2.20	2.28	2.37
Oregon	42	2.05	2.05	2.05

The table above shows how low, stable workers' compensation rates are giving Oregon a comparative advantage in the cost of doing business at a time when many other states have experienced significant changes. This table is a specific comparison of workers' compensation insurance premium rate levels in Oregon and other states in the region. In 2004, Oregon studied rates across the country using a constant set of industry classes and associated payroll. A rate index, or weighted average premium rate per \$100 of payroll, was computed from each state's rates for those classes. *The index rate includes administrative assessments charged by the states, but does not include charges such as Oregon's Workers' Benefit assessment that are based on payroll rather than premium.* To show the trend in rates by state, we have used approved and filed rate changes in each state to extend the series over the 2004-2006 period. The full 2004 rate ranking report is available on the DCBS Web site at www.dcbs.oregon.gov. Click on "Statistical Reports" and then "WC Insurance."

Source: Research & Analysis Section, Information Management Division, Department of Consumer and Business Services. September, 2005.