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Workers' compensation premium rate will decrease again in 2011

Decrease will offset assessment increase; employer costs to stay flat

(Salem) — The workers' compensation "pure" premium rate will decrease 1.8 percent in 2011, the Department of Consumer and Business Services (DCBS) announced today. This rate has not increased since 1990 and has decreased nearly 13 percent since 2006. Oregon employers have saved an unprecedented \$18.2 billion since 1990 as a result of rate decreases, and pure premium costs today are down \$146 million from 2006 levels.

To maintain critical programs that have driven this success, the department is also proposing a 1.8 percentage point increase in the workers' compensation premium assessment. The assessment funds administration of the workers' compensation and workplace safety system, and the increase will partially offset the impact of the economic downturn on DCBS revenue. As a result, average workers' compensation costs for employers in 2011 will be flat. The third component of workers' compensation costs, the Workers' Benefit Fund assessment, will not change.

"A strong, stable workers' compensation system is especially important to businesses during difficult economic times," said Governor Kulongoski. "Year after year, our system in Oregon delivers results, with safer workplaces, reduced litigation, and improved benefits – all at a low and predictable cost."

The pure premium rate is the base rate employers pay their insurance company for workers' compensation coverage. On average, Oregon employers can expect a 1.8 percent decrease in pure premium in 2011, although some employers will see rates go up and others may see no change. Specific cost changes vary from business to business, depending on the employer's industry, claims experience, workforce, and other factors.

DCBS sets the pure premium rate based on a recommendation from the National Council on Compensation Insurance Inc. (NCCI). NCCI looks at various trends in claims experience and benefits to forecast "loss costs" – or the estimated cost of injury and illness claims in Oregon.

"Oregon's workers' compensation system continues to deliver great results, and we're seeing that reflected in 20 years of declining injuries and declining costs," said Cory Streisinger, director of DCBS.

Workplace injury and illness rates in Oregon have declined 24 percent since 2004 and more than 58 percent since the late 1980s. Other factors that have helped keep premiums low include the increased use of Oregon's return-to-work programs and DCBS' work with the medical community to keep medical costs under control by setting standards for expensive medical procedures and encouraging the use of generic drugs.

While premium costs have declined, benefits to workers have improved. Maximum benefits for permanent partial disability have increased tenfold since the late 1980s, and DCBS continues work with the Workers' Compensation Management-Labor Advisory Committee (MLAC) to make changes to the system to help injured workers, such as recent rules that help workers who need interpreter services.

The second component of workers' compensation costs, the premium assessment, pays for the administration of workers' compensation and workplace safety programs. The department decreased the assessment four times since 2002, as the economy grew, and is now proposing to increase the assessment from its current 4.6 percent to 6.4 percent in 2011. (Self-insured employers and self-insured employer groups pay an additional 0.2 percent into a reserve to pay claims in the event of a bankruptcy.) With the proposed increase, the assessment rate will still remain well below the rates assessed earlier in the decade.

“We’re very sensitive to employer costs, particularly in these economic times,” Streisinger said. “But we also want to preserve the long-term value that our workers’ compensation system delivers. Though an assessment increase is never easy, we’ve worked to hold it down to a level that’s offset by this year’s decline in pure premium – so employer costs won’t go up.”

Since workers’ compensation premiums are based on payroll, revenue from the premium assessment has declined sharply since the start of the recession. DCBS has responded by cutting expenditures, making significant staff reductions, and implementing pay freezes and furloughs.

“Further cuts could jeopardize the stability and success of the workers’ compensation system in Oregon,” said Greg Miller, manager of Health, Safety and Security at Gunderson, LLC in Portland and a member of the Workers’ Compensation Management-Labor Advisory Committee. “We worked hard over the past 20 years to continuously improve workplace safety and health while keeping costs low. This is something we shouldn’t put at risk.”

The Workers’ Benefit Fund assessment, which pays for special benefits for injured workers and their employers, will remain at 2.8 cents per hour worked in 2011. Employers and workers each pay half of the Workers’ Benefit Fund assessment.

The pure premium rate decrease and the Workers’ Benefit Fund assessment go into effect Jan. 1, 2011. The Department of Consumer and Business Services will hold a hearing to invite public comment on the proposed premium assessment rate Tuesday, Sept. 21, at 2 p.m. in conference room 260 in the Labor and Industries Building, 350 Winter St. NE in Salem. A decision will be made in late September, and the rate will go into effect Jan. 1, 2011.

Please see links below for more information:

[Workers’ Compensation Rate Questions & Answers](#)

[Workers’ Compensation Rate Fact Sheet](#)

[Workers’ Compensation Rate Graphs](#)

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