



NEWS **RELEASE**

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OREGON WORKERS' COMPENSATION COSTS TO REMAIN ESSENTIALLY FLAT

(Salem) State officials today announced two rates and a recommendation for a third that together will determine what Oregon employers pay for workers' compensation insurance and to support workers' compensation and workplace safety programs in calendar year 2002.

- The workers' compensation "pure" premium rate – the average rate employers pay to their insurance company for workers' compensation coverage – will decline by 0.1 percent for 2002. Albeit only a small decrease from 2001, this marks twelve consecutive years of rate reductions in Oregon. The cumulative cut in workers' compensation insurance costs since 1990 totals 57.4 percent. 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 into rates. Although the state sets the pure premium rate, premiums do not fund state programs or services. The 0.1 percent reduction in the pure premium represents an average cut across all types of businesses. Rates for specific businesses and industry groups may be higher or lower depending on group and individual claims experience. It is important to note that the average rate will decrease despite the state supreme court's recent ruling in *Smothers vs. Gresham Transfer, Inc.* The *Smothers* decision allows injured workers to sue their employers outside of the workers' compensation system under some circumstances, thus creating upward pressure on premium rates. That upward pressure, however, has been counteracted so far by continued positive experience in the rest of the system.
- The Workers' Benefit Fund assessment rate for 2002 will remain at 3.6 cents. This applies to each hour or partial hour worked by each paid employee covered by an employer's workers' compensation policy. This continues a rate decrease put into effect last year. 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.
- State analysts have recommended that the workers' compensation premium assessment rate increase slightly to 8.0 percent for 2002. This is a 0.7 percentage point rise from 2001. Employers pay the assessment based on the total premium charged to them by their insurer. The premium assessment is dedicated to the state's administration of the workers' compensation system, plus workplace safety and health programs. Insurers collect the assessment and then transfer it to the state. This increase was discussed with the 2001 Legislature as part of a budget package that included program cuts to avoid a larger increase. Self-insured employers will pay 8.2 percent. The Department of Consumer & Business Services will hold a hearing to invite public comment on the recommendation on October 11 at 3:00 p.m. in basement conference room "B" 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.

The combined effect of these rates is that, on average, employers' workers' compensation costs for the year will essentially remain flat. Cumulative premium savings to employers since 1990, however, amount to approximately \$6.3 billion.

(more)

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Oregon's national ranking in workers' compensation costs moved from sixth most expensive in the nation in 1986 to 34th by 2000. At the same time, maximum benefits for permanently disabled workers in Oregon have been increased to a compensation level close to the national median.

Workplace injury and illness rates in Oregon have declined by over 43 percent in the private sector and nearly 36 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. During the same period, the total number of employees subject to workers' compensation coverage has increased substantially.

The new rates – for pure premiums, the Workers' Benefit Fund assessment, and the premium assessment – will go into effect January 1, 2002. A notice describing the rates will be mailed before the end of October to employers who are required to carry workers' compensation insurance.

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