

**OREGON DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
WORKERS' COMPENSATION DIVISION
PROPOSED OREGON ADMINISTRATIVE RULES
CHAPTER 436, DIVISION 050**

EMPLOYER/INSURER COVERAGE RESPONSIBILITY

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Secretary of State
NOTICE OF PROPOSED RULEMAKING HEARING
 A Statement of Need and Fiscal Impact accompanies this form.

Dept of Consumer and Business Services, Workers' Compensation Division	OAR CHAPTER 436
Agency and Division	Administrative Rules Chapter Number
Fred Bruyns	(503) 947- 7717 Fax (503) 947-7581
Rules Coordinator	Telephone
PO Box 14480, Salem, OR 97309-0405; 350 Winter Street NE, Rm 27, Salem, OR 97301-3879	
Address	
Room 260 (2 nd floor) Labor & Industries Building 350 Winter Street NE	
October 22, 2003	Fred Bruyns
10:00 a.m.	Salem, Oregon
Hearing date	Hearings Officer
Time	Location

NOTE: The hearing will convene at 10:00 a.m. and end when all present who have indicated their intention to testify have been called to present testimony. Written testimony will be accepted until 5:00 p.m., October 27, 2003 (must be received by the Workers' Compensation Division).

Auxiliary aids for persons with disabilities are available upon advance request.

RULEMAKING ACTION

ADOPT: OAR 436-050-0165, 436-050-0480

AMEND: OAR

436-045-0008	436-050-0100	436-050-0190	436-055-0008	436-080-0010	436-150-0008
436-050-0003	436-050-0110	436-050-0195	436-060-0008	436-080-0020	436-160-0003
436-050-0008	436-050-0120	436-050-0210	436-070-0008	436-080-0030	436-160-0310
436-050-0040	436-050-0150	436-050-0220	436-075-0008	436-080-0040	436-160-0320
436-050-0050	436-050-0160	436-050-0260	436-080-0001	436-080-0060	436-160-0340
436-050-0055	436-050-0170	436-050-0270	436-080-0002	436-080-0065	436-160-0350
436-050-0060	436-050-0175	436-050-0280	436-080-0003	436-080-0070	436-160-0360
436-050-0080	436-050-0180	436-050-0290	436-080-0005	436-080-0080	
436-050-0090	436-050-0185	436-050-0400	436-080-0006	436-085-0008	

REPEAL: OAR 436-050-0020, OAR 436-080-0050

ORS 656.726(4), 656.704
 Stat. Auth.

ORS 183.335; OAR 137-001; OAR 436-001-0000 and 436-001-0005
 Other Authority

ORS chapter 656
 Stats. Implemented

RULE SUMMARY

The agency proposes to amend these rules in part to reflect Senate Bill 233's changes to ORS 656.740. The time frame for appeal of a proposed order or proposed assessment of civil penalty will no longer be 60 days following the party's receipt of notice, but instead 60 days from the date the order is mailed by the department. In addition, the agency proposes to make a number of "housekeeping" amendments throughout these rules.

Notice of Proposed Rulemaking Hearing Oregon Administrative Rules, Chapter 436

The agency proposes to amend OAR 436-050, “Employer/Insurer Coverage Responsibility,” and OAR 436-160, “Electronic Data Interchange.” These proposed rules:

- (436-050-0020) Repeal the requirement that the director send copies of orders to parties via certified mail and otherwise repeal the rule that restates certain statutory requirements affecting service of orders.
- (436-050-0050) Clarify requirements for notice by the employer to its insurer of election to cover otherwise non-subject workers.
- (436-050-0055) Specify that a criterion for whether a worker is temporarily in or out of state is the duration of the employer’s “work,” not the duration of the employer’s “contract.”
- (436-050-0060, 436-160-0310) Eliminate the requirement for insurers to report Standard Industrial Classification Codes or North American Industry Classification System codes; state that National Council on Compensation Insurance codes are sufficient.
- (436-050-0080, 436-160-0350) Eliminate the requirement to report coverage elections and cancellation of elections to the director by endorsement to the guaranty contract. (reflects statutory change made by Senate Bill 233)
- (436-050-0100, 436-160-0360) Explain the notice and reporting requirements regarding the insurer’s termination of guaranty contracts. (reflects statutory change made by Senate Bill 233)
- (436-050-0100) State that active self-insurance certification remains in effect if a guaranty contract has been filed.
- (436-050-0110 and 0210) Require insurers and self-insured employers to notify workers with open/active claims, their attorneys, and primary medical service providers at least 10 days prior to changing claims processing locations, service companies, or self-administration.
- (436-050-0120 and 0220) Require insurers and self-insured employers to keep documentation regarding the dates payments are mailed to claimants.
- (436-050-0160 and 0175) Provide that the director may require the self-insured employer (or applicant) to submit audited financial statements if certified financial statements are insufficient to evaluate the employer’s financial status.
- (436-050-0165) Provide that an irrevocable standby letter of credit may be accepted by the director as an alternative to a surety bond as a security deposit; list required provisions of an irrevocable standby letter of credit and the criteria the director will use to determine if it is an acceptable security deposit; state the conditions under which an irrevocable standby letter of credit will be extended or called; incorporate by reference, *International Standby Practices, ICC Publication No. 590*. These changes are now in effect under authority of temporary rules effective 7/18/03.
- (436-050-0165) Provide that government securities, certificates of deposit, or time deposit accounts will not be accepted as new or replacement security deposits by self-insured employers effective January 1, 2004; require self-insured employers with existing securities of this type to complete a “Security Agreement and Notice to Intermediary,” Form 440-4023, granting the department a security interest in and control over those financial assets.
- (436-050-0170) Provide that excess insurance coverage must be specific on a per occurrence basis, and that such coverage may include aggregate excess insurance.
- (436-050-0175) Incorporate annual reporting requirements formerly published only in Bulletin 209, to include a report of losses for the experience rating and non-experience rating periods.
- (436-050-0180) Require that future claim liability estimates or annual incurred losses include losses incurred but not reported; require that “losses incurred but not reported” be calculated by applying a loss development factor against the employer’s annual incurred losses; provide that the director will calculate the “loss development factor” annually.
- (436-050-0180) Require that a new self-insured employer’s deposit is not less than the amount of the approved self-insured employer retention level for the employer’s excess workers’ compensation insurance.
- (436-050-0195) Require that each entity included under a self-insurance certification must enter into an agreement making the entity jointly and severally liable for payment of compensation and moneys due to the director by the self-insured employer or any other entity included in the certification.
- (436-050-0260) Provide for revocation of a self-insured employer group’s certification if the group fails to maintain the qualifications required in this rule.
- (436-050-0290) Require that self-insured employer groups maintain coverage records relating to each member.
- (436-050-0400) Prohibit a worker leasing company from providing workers’ compensation coverage to another worker leasing company.

**Notice of Proposed Rulemaking Hearing
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- (436-050-0480) Provide for assessment of civil penalties against worker leasing companies or prospective leasing companies that fail to meet the requirements of relevant rules. Provide penalty matrixes for worker leasing companies that violate these rules and for companies that operate as worker leasing companies without a license

NOTICE OF PERIODIC REVIEW

Oregon law requires an agency to review its rules not less than every three years to minimize the economic effect on businesses. Pursuant to ORS 183.545 and 183.550, the Workers' Compensation Division invites public comment upon these rules* concerning the continued need for the rules; the complexity of the rules; the extent to which the rules duplicate, overlap, or conflict with other state rules, federal regulations, and local government regulations; the degree to which technology, economic conditions, or other factors have changed in the subject area affected by the rules; and the legal basis for the rules. Oral comments may be presented at the rulemaking hearing; written comments must be received, at the address listed on the top of this form, by the date specified below.

*Subject to this periodic review, public comment is invited regarding all rules within the following divisions of chapter 436:

- OAR 436-045, Reopened Claims Program
- OAR 436-050, Employer/Insurer Coverage Responsibility
- OAR 436-055, Certification of Claims Examiners
- OAR 436-060, Claims Administration
- OAR 436-070, Workers' Benefit Fund
- OAR 436-075, Retroactive Program
- OAR 436-080, Noncomplying Employers
- OAR 436-085, Premium Assessments: Assessments/Contributions
- OAR 436-150; Workers' Benefit Fund Claims Program
- OAR 436-160, Electronic Data Interchange

Address questions to: Fred Bruyns, Rules Coordinator; phone 503-947-7717; fax 503-947-7581; e-mail fred.h.bruyns@state.or.us Proposed rules are available on the Workers' Compensation Division's Web site: <http://www.cbs.state.or.us/external/wcd/policy/rules/permanent/rules.html#proprules>

or from WCD Publications at 503-947-7627 or fax 503-947-7630.

October 27, 2003	/s/ John L. Shilts	September 12, 2003
5 p.m.		
_____ Last Day for Public Comment	_____ Authorized Signer and Date	
	John L. Shilts, Administrator, Workers' Compensation Division	
	_____ Printed name	

*The *Oregon Bulletin* is published on the 1st of each month and updates the rule text found in the Oregon Administrative Rules Compilation. Notice forms must be submitted to the Administrative Rules Unit, Oregon State Archives, 800 Summer Street NE, Salem, Oregon 97310 by 5:00 pm on the 15th day of the preceding month unless this deadline falls on a Saturday, Sunday or legal holiday when Notice forms are accepted until 5:00 pm on the preceding workday.

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Secretary of State
STATEMENT OF NEED AND FISCAL IMPACT

A Notice of Proposed Rulemaking Hearing or a Notice of Proposed Rulemaking accompanies this form.

Department of Consumer and Business Services,
Workers' Compensation Division
Agency and Division

OAR CHAPTER 436
Administrative Rules Chapter Number

In the Matter of

The Amendment of:

OAR 436-045, Reopened Claims Program)	Statutory Authority,
OAR 436-050, Employer/Insurer Coverage Responsibility)	Statutes Implemented,
OAR 436-055, Certification of Claims Examiners)	Statement of Need,
OAR 436-060, Claims Administration)	Principal Documents Relied Upon,
OAR 436-070, Workers' Benefit Fund)	Statement of Fiscal Impact,
OAR 436-075, Retroactive Program)	Request for public comment
OAR 436-080, Noncomplying Employers)	
OAR 436-085, Premium Assessments: Assessments/Contributions)	
OAR 436-150, Workers' Benefit Fund Claims Program)	
OAR 436-160, Electronic Data Interchange)	

Statutory Authority: ORS 656.704, 656.726(4)

Other Authority: ORS 183.335; OAR 137-001; OAR 436-001-0000 and 436-001-0005

Statutes Implemented: ORS chapter 656

Need for the Rule(s):

1. Rule changes are needed to reflect law changes under Senate Bill 233, effective 1/1/2004:
 - modification of appeal rights under ORS 656.740;
 - changes to the end liability date for guaranty contract terminations under ORS 656.427;
 - elimination of claim-closure penalties for non-complying employers under ORS 656.054; and
 - elimination of the requirement to report coverage elections and cancellation of elections to the director by endorsement to the guaranty contract under ORS 656.419.
2. Rule revisions are also needed to make permanent the changes implemented by temporary rules effective 7/18/03. These temporary rules affect self-insured employers and self-insured employer groups, or employers and groups applying to the director of the Department of Consumer and Business Services for self-insurance certification. There is a critical need for an alternative to the surety bond as a security deposit. Surety bonds have become harder to obtain – more expensive, or in some cases, unavailable – since the terrorist attacks of 9/11/2001. These rules provide that an irrevocable standby letter of credit may be accepted by the director as an alternative security deposit to a surety bond.
3. Additional rule changes affecting self-insured employers are needed to provide for adequate surety if a self-insured employer defaults on payments due to injured workers or the director.
4. The requirement that insurers and self-insured employers notify workers, workers' attorneys, and medical providers of any change in claims processor is needed to allow workers to timely appeal certain decisions about their claims and to provide physicians information essential to the proper routing of medical reports and bills.
5. The requirement that insurers and self-insured employers keep documentation of the dates payments are mailed

Statement of Need and Fiscal Impact Oregon Administrative Rules, Chapter 436

to claimants is needed for the agency to monitor and enforce timeliness of payment under Oregon law.

6. Rule changes affecting worker leasing companies are needed to adequately monitor and audit worker leasing companies, and to impose civil penalties for non-compliance with relevant statutes and rules. These changes were requested by worker leasing company representatives who want this agency to foster and enforce fair and consistent business practices, so companies cannot obtain an unfair economic advantage by using illegal practices.

Documents Relied Upon: Advisory committee meeting minutes; Senate Bill 233, Enrolled
These documents are available for public inspection in the Administrator's Office, Workers' Compensation Division, 350 Winter Street NE, Salem, Oregon 97301-3879, upon request and between the hours of 8:00 a.m. and 5:00 p.m., Monday through Friday. Please call (503) 947-7810.

Fiscal and Economic Impact:

Numbering below corresponds to numbering under: "Need for the Rules."

1. The statutory change in the appeal time frame is not expected to have any significant fiscal impact.

The change to ORS 656.427 will allow insurers more control over the end liability date for guaranty contracts, and insurers should realize some cost reductions. Under current law (until 12/31/03), guaranty contracts remain in effect until/unless the director is notified, and insurers are sometimes made liable for claims because they failed to notify (or timely notify) the director of the termination of the guaranty contract, even though notice had been provided to the employer. Under the revised law (effective 1/1/04), the guaranty contract can be terminated by adequate notice to the employer; failure to notify the director may result in civil penalties but will not affect guaranty contract liability. In part, the savings realized by insurers will be shifted to employers that continue to employ, in violation of Oregon law, subject Oregon workers after their workers' compensation coverage is terminated. To the extent these employers cannot pay claim costs, claims costs will be paid from the Workers' Benefit Fund. Overall, this statutory change, and related rule change, should have no significant net dollar cost or benefit to the workers' compensation system, but some costs will be shifted from companies that comply with the law to those that violate the law.

Elimination of claim closure penalties for non-complying employers will reduce civil penalties assessed against Oregon employers by approximately \$59,000 annually. Collected penalties have been paid into the Workers' Benefit Fund. The dollar amounts involved will not have a significant impact on the Fund, and the agency should realize a slight decrease in its penalty collection activities and costs associated with serving claim closure penalty orders. This statutory change, and related rule change, will allow this agency more effectively to focus its efforts on monitoring compliance with workers' compensation coverage laws and rules.

Elimination of reporting of elections and cancellation of elections to cover non-subject workers should slightly decrease reporting costs for insurers.

2. Because irrevocable standby letters of credit are a less costly form of security deposit than surety bonds, these rules should reduce costs for Oregon's self-insured employers. The agency cannot quantify the savings at this time and invites input from self-insured employers who have had experience using this form of security under temporary rules in place since 7/18/03.
3. It is anticipated that rule changes increasing security requirements for new and existing self-insured employers will result in increased costs to those employers to either obtain certification to self-insure and/or maintain current self-insurance certification. However, it is also anticipated that rules allowing irrevocable standby letters of credit as a form of security may offset some of the increased costs to employers affected by the more stringent security requirements. In addition, enhanced security also affords protection to self-insured employers against catastrophic loss. The agency cannot quantify the increased costs or potential savings offset, in part because fluctuating market factors will affect the costs and savings.
4. Notification regarding claims processor changes will slightly increase costs to some insurers and self-insured

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employers. The advisory committee told the agency that such notification is already common practice as part of good claims processing. Therefore, the overall effect on industry costs is expected to be minor.

5. Documentation of mailing dates of time-loss checks may slightly increase costs to some insurers and self-insured employers. However, the rules propose a low-cost option to establish a mailing date by procedural documentation of “an explanation of the time period between the date of issuance and mailing.”
6. A civil penalty is a direct cost to the party receiving the penalty. The agency cannot predict the number of worker leasing companies that will be subject to penalties. The potential for penalties, in conjunction with adequate auditing by the agency, may effect compliance in many cases without the need to impose penalties. To the extent these penalties serve to “level the playing field” for worker leasing companies, this change should improve the overall business climate for worker leasing in Oregon.

Administrative Rule Advisory Committee consulted: Yes

February 13, 2003

August 13, 2003

August 18, 2003

Request for public comment:

The agency requests public comment on whether other options should be considered for achieving the goals of these rules while reducing the negative economic impact of the rules on business.

/s/ John L. Shilts

September 12, 2003

Signature and Date

John L. Shilts, Administrator, Workers' Compensation Division

Printed name

Administrative Rules Unit, Archives Division, Secretary of State, 800 Summer Street NE, Salem, Oregon 97310.

BEFORE THE DIRECTOR OF THE
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
OF THE STATE OF OREGON

In the Matter of the Amendment of)	
OAR 436-045, Reopened Claims Program)	
OAR 436-050, Employer/Insurer Coverage Responsibility)	
OAR 436-055, Certification of Claims Examiners)	
OAR 436-060, Claims Administration)	SUMMARY OF
OAR 436-070, Workers' Benefit Fund)	TESTIMONY AND
OAR 436-075, Retroactive Program)	AGENCY RESPONSES
OAR 436-080, Noncomplying Employers)	
OAR 436-085, Premium Assessments:)	
Assessments/Contributions)	
OAR 436-150; Workers' Benefit Fund Claims Program)	
OAR 436-160, Electronic Data Interchange)	
)	

This document summarizes the significant data, views, and arguments contained in the hearing record. The purpose of this summary is to provide the Director with a record of the agency conclusions about the major issues raised.

The amendment to the rules was announced in the Secretary of State's Oregon Bulletin dated October 1, 2003. On October 22, 2003 a public rulemaking hearing was held as announced at 10:00 a.m. in Room 260 of the Labor and Industries Building, 350 Winter Street NE, Salem, Oregon 97301-3879. Fred Bruyns, Rules Coordinator, acted as presiding officer. Business Support Services audio-recorded the hearing and created a written transcript. The record was held open for written comment through 5:00 p.m. October 27, 2003.

The following individuals gave oral testimony on these rules at the public hearing:

Subject Division	Testimony received from:
050	Reg Gregory, Workers' Compensation Division
050	Bill Cardwell, Business Administrative Services Inc.
050	Joey Blubaugh, TNT Management Resources
050 & 160	Jaye Fraser, SAIF Corporation

The following written testimony was received:

Subject Division	Exhibit #	Testimony received from:
050	1	Doris Bain, ComPro, Inc.
050	2	Reg Gregory, Workers' Compensation Division

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050	3	Linda Jefferson, Oregon Self-Insurers Association
050 & 160	4	Jaye Fraser, SAIF Corporation
050	5	Bill Cardwell, Business Administrative Services, Inc.

No testimony was received regarding proposed changes to OAR 436-045, 055, 060, 070, 075, 080, 085, or 150.

The following is a summary of the testimony received and the agency’s responses to that testimony. If oral and written testimony were submitted by the same party, summarized oral testimony is listed separately only if and to the extent it differs from written testimony.

OAR 436-050-0008(3)(b)

Testimony: Exhibit #3

Proposed subsection (b) says in part “is mailed or delivered to the administrator more than 60 days after the order is mailed. Please remove “or delivered,” as it creates potential conflict over “mailed” versus “delivered.” Mailing date can be more easily documented than delivery date.

Response: The language included in the rule comes from statutory origin and as written in this rule is actually an alternative to being mailed. The requestor can choose not to mail an appeal but can actually hand deliver the written request instead. No modification is necessary.

OAR 436-050-050-0100 & 436-160-0360

Testimony: Exhibit #2

The proposed rules require insurers to notify the director of guaranty contract terminations within two weeks after termination is effective. With the goal of ensuring integrity of the division’s employer coverage database, please consider modifying the rule to require notice at least two weeks prior to that termination effective date or two weeks after the notice is mailed to the employer.

Response: WCD brought testimony that WCD’s data system integrity is compromised by not having the director’s notice sooner. Insurers provided input that demanding the director’s notice prior to the effective date of termination would result in no change from the current process in the paper submissions. Insurers suggested that 5 business days would be adequate for insurers to provide the director her notice of guaranty contract termination. Further consideration of the Electronic Data Interchange (EDI) process thwarts notice of termination being provided before the termination effective date. WCD is committed to EDI. Because of the difficulty with determining 5 business days, using 7 calendar days is acceptable to WCD and shortens the lag time for data system integrity. Based on input, WCD will modify the recommendation for the rule as drafted and proposed, changing the requirement to provide the director a 14 calendar day notice to a 7 calendar day notice after the effective date of termination.

OAR 436-050-0100 and 436-160-0360

Testimony: Exhibit #4

SAIF urges adoption of the rules as proposed. The change proposed by the Workers’ Compensation Division (the notice to the director of each guaranty contract termination be at

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least two weeks prior to rather than two weeks after termination) at the hearing is contrary to general agreements at the rulemaking advisory meeting and the electronic data interchange quarterly meeting. The division's suggested modification to the proposed rules will likely result in the very situation the proposed rules sought to avoid – guaranty contract terminations followed by rescissions of those terminations. Database integrity would be sufficiently protected if insurers notify the division within five business days after termination.

Response: Based on input, WCD will modify the recommendation for the rule as drafted and proposed, changing the requirement to provide the director a 14 calendar day notice to a 7 calendar day notice after the effective date of termination.

OAR 436-050-0110(6)

Testimony: Exhibit #1

This rule would require provision of the physical office address to injured workers, and it presents a serious security problem. A contact address for written communications should be sufficient for all parties concerned.

Response: The concern is real and considered. The required elements in the notice in 436-050-0110(6) and 436-050-0210(3)(a) need not include the physical address where claims are to be processed. Contact via telephone and mailing address meets the needs.

OAR 436-050-0110(6)

Testimony: Exhibit #1

It will not be possible for TPA's to identify the parties and their addresses within the time frames stated in the proposed rule, as claim conversions often require several months.

Response: WCD as a regulator has an obligation to create and apply consistent processes, policies, and rules to make it easy to comply with the law and at the same time ensure timely benefits to workers. Insurers will not be harmed by a rule requirement they are already carrying out as a matter of good service. Insurers who are not providing adequate notice when claims are moved need to have direction. The rule directs insurers to provide notice 10 days prior to claim processing relocation. The insurer knows of such changes sooner than 10 days, and has the ability to work in advance of the required 10 day notice. The 10 day notice is not new to the rule; only the addition of others to notify was added. WCD must make it clear by an enforceable rule, to at least a minimum standard, to notify the worker, worker's attorney and attending physician, when processing servicing companies change. The requirement is fixed on open or active claims.

OAR 436-050-0120(1)(b)

Testimony: Exhibit #4

The advisory committee members agreed that requiring documentation of mailing dates would be burdensome. The proposed language does not solve the problem. The real issue is timeliness of time-loss payments. Insurers are audited for timely payment, and SAIF is over 99% timely; addressing the issues with offending parties is likely more effective in solving the problem than creating additional burdens for insurers that are not part of the problem. Injured workers receive checks in envelopes that are postmarked; the postmark is really the only way to prove a mail date short of creating a chain of custody affidavit for every step of the process. It is nearly impossible to record the actual mailing date of a check when large volumes of checks are issued. If payors

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have to create systems to prove mailing dates for all payments in a claim, this will add to system costs that are ultimately passed along to policyholders.

The proposed rule language requires record of mailing of ALL payments as a result of any claims, and is not limited to time-loss and award checks. This requirement is overly burdensome for very little benefit.

Response: The requirement to keep “written record of all payments made as a result of any claim” has been in place for years. In addition to being part of WCD rules, this is part of Oregon’s insurance code. Clarifying the “written record” to be documentation of the actual mailing date of payment, or an “explanation of the time period between the date of issuance and mailing” is a reasonable expectation. Current and ongoing audit standards already require such explanation. Highlighting this requirement in the rules brings the requirement to the forefront. Those insurers who use third party administrators and the actual administrators can better coordinate to meet the rule requirement more effectively knowing what the requirement for “written record” is.

OAR 436-050-0170(4)

Testimony: Exhibit #3

Proposed section (4) says in part “Changes in the self-insured retention level and policy limits of the excess insurance require prior approval of the director.” Volatility in the current excess insurance market limit a self-insurer’s ability to know what the terms of the agreement will be. Based on self-insurers’ experience over more than three years, determination of retention levels, policy limits, and premiums may occur within the final hours before the current contract expires. The requirement for prior approval of the director could pose compliance difficulties and create potential risks for self-insured employers. Can the department consider a grace period if terms of the new policy cannot be reached until just prior to expiration of the current policy? Moderating the language is the key, as the self-insured employer has no control over the market, the scope of the responses, or the timeliness of the decision process. Also, the rules should clarify what means of communication with the director are acceptable, in order to facilitate compliance.

Excess insurance carriers must have their quotes reviewed and approved by the reinsurance companies that own them. Recently, employers receive quotes within 30-45 days of current policy expirations, allowing very little time to respond to the quotes and negotiate coverage and rates.

Response: The requirement to obtain prior approval for changes in the retention and limitation levels of the required excess insurance provides for consistent processes and policy. It gives direction and a time frame for requesting and obtaining approvals for increases in retention levels and decreases in policy limits that was not adequately addressed in the rule. Most self-insured employers and their brokers are aware of changes in the market place, prior to the expiration and renewal dates of their excess policies, that will affect the retention and policy levels that insurers will make available. It is reasonable to expect a self-insured employer to request approval for any anticipated increases in their retention or decreases in policy limits prior to the effective date of their new policy. This is true especially to avoid having to go back to the insurer and request a retroactive change in their policy, decreasing the amount of their retention level or increasing the amount of the policy limits. The wording of the rule does not specify how a self-insured

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employer is to request approval. Therefore, it allows a self-insured employer to document their request for approval by submitting a letter, fax, memorandum or e-mail.

OAR 436-050-0400 through 0480 (leasing company rules)

Testimony (Oral):

SAIF Corporation urges the Department to continue to look at this issue. It is a tremendous burden to our company. Paperwork is important – if we don't know the client has been signed up by the leasing company, we don't know if coverage exists. We have recent experience where there was a question as to the date the client was signed up, and a workers' compensation claim fell between the two dates in dispute. I do agree that the matrix may not achieve our objectives and that there are deeper issues to resolve.

Response: Proposed language serves to clarify recordkeeping and reporting requirements in order that all parties are aware of leasing arrangements as well as who is responsible for coverage. The proposed language will remain as written. The department will continue to work with stakeholders on resolving the deeper issues.

OAR 436-050-0480

Testimony: Exhibit #5

Regarding the penalty matrix, the punishment needs to fit the crime. If systemic failures by leasing companies will result in consequences, the same expectation should be placed upon the State of Oregon. Penalties must reflect the seriousness of the offence and not merely be a taxing system for clerical errors. I endorse Joey Blubaugh's recommendation of a trial review period of approximately six months to assess how the matrix affects the leasing industry. *See response below.*

OAR 436-050-0480

Testimony (Oral): Bill Cardwell, Business Administrative Services

The proposed changes address clerical issues. These administrative changes probably do not achieve the desired early detection system for identifying problem areas. The matrix is of specific concern because of its focus on clerical and other errors of little importance. During a recent paper review, two-thirds of the questions were mistakes by the Department. Should the Department offset each leasing company error-based penalty with an equivalent credit for each error of the Department? Early detection of leasing company problems could be accomplished using data from the Employment Department and the Department of Revenue. These companies are usually in arrears on payments of taxes. Also, the workers' compensation carriers know when these companies are in arrears. *See response following next testimony.*

OAR 436-050-0480

Testimony (Oral): Joey Blubaugh, TNT Management Resources

The penalty matrix appears to be tied disproportionately to the Department's audit processes. These are an important component of an overall regulatory arrangement. However, our observation as an industry is that we are auditing the known, and the problems facing the industry, insurers, and regulators come from the unknown. Our comments will focus more on the areas that are not being audited. Regarding the penalties, I question further memorializing the clerical housekeeping part of the process while there is such a deficiency in the oversight process of the unknown. A suggestion (just my own): consider an interim process where the Department

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doesn't issue penalties but gathers data from audits on whether the matrix will help us achieve a desired objective.

Response: The proposed penalty matrix is designed to penalize worker leasing companies for failure to adhere to specific license reporting and recordkeeping requirements which identify lease arrangements and establish the party and insurer responsible for coverage. Additionally, the penalty matrix is graduated to consider the seriousness and/or frequency of violations.

It is not the intention of the department to penalize worker leasing companies for mistakes or errors in the department's records if those mistakes or errors were not the fault of the leasing company.

The department is currently conducting compliance reviews of all licensed worker leasing companies in order to obtain data regarding overall compliance as well as to educate companies on the requirements. No penalties, except in egregious situations are anticipated during the first phase of compliance reviews.

In the interim the department will keep lines of communication open with stakeholders to identify problems and solutions. The proposed language and penalty matrix will remain as written.

Having reviewed and considered all data, views and arguments presented, I hereby submit this report as a summary of statements given and exhibits received. I recommend the adoption of the amendments to the rules consistent with the above responses.

Dated this 12th day of March, 2004.

WORKERS' COMPENSATION DIVISION

/s/ Fred Bruyns

Fred Bruyns, Rules Coordinator
Policy Section
Workers' Compensation Division

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EXHIBIT "A"
OREGON ADMINISTRATIVE RULES
CHAPTER 436, DIVISION 050

436-050-0001 Authority for Rules

These rules are promulgated under the director's authority contained in ORS 656.407, 656.430, 656.455, 656.726, 656.850, 656.855, and 731.475.

Stat. Auth: ORS 656.704 and 656.726(4)
Stats. Implemented: ORS 656.017, 656.018, 656.021, 656.023, 656.027, 656.029, 656.031, 656.037, 656.039, 656.126, 656.128, 656.140, 656.403, 656.407, 656.419, 656.423, 656.427, 656.430, 656.434, 656.440, 656.443, 656.447, 656.455, 656.614, 656.745, 656.750, 656.850, 656.855, and 731.475
Hist: Filed 12/19/75 as WCB Admin. Order 18-1975, eff. 1/1/76 as Rules 436-51-001 and 436-51-201
Amended 4/12/76 as WCB Admin. Order 2-1976, eff. 4/12/76
(Temporary) as Rule 436-51-130, (436-55-060)
Amended 6/15/76 as WCB Admin. Order 3-1976, eff. 6/15/76 as Rule 436-51-130, (436-55-060)
Amended 4/20/80 as WCD Admin. Order 3-1980, eff. 4/2/80
Amended 2/10/82 as WCD Admin. Order 4-1982, eff. 2/15/82
Amended 12/22/83 as WCD Admin. Order 7-1983, eff. 12/27/83
Renumbered from OAR 436-51-001, January 1, 1986
Amended 12/12/85 as WCD Admin. Order 9-1985, eff. 1/1/86
Amended 12/22/89 as WCD Admin. Order 5-1989, eff. 1/1/90
Amended 4/1/94 as WCD Admin. Order 94-052, eff. 5/1/94
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01

436-050-0002 Purpose

It is the purpose of the director that under the provision of ORS 656.726(4) rules be established to ensure the requirements of ORS 656.017 are met. One of the general charges to the director under the Workers' Compensation Law is the providing of compensation, regulation and enforcement in connection with ORS 656.001 to 656.794. To meet that responsibility the director has delegated to the division the responsibility of ensuring the requirements of the statutes, rules, and bulletins of the director are complied with as they relate to employer coverage.

Stat. Auth: ORS 656.704 and 656.726(4)
Stats. Implemented: ORS 656.017
Hist: Filed 12/19/75 as WCB Admin. Order 18-1975, eff. 1/1/76, as Rule 436-51-001
Amended 4/12/76 as WCB Admin. Order 2-1976, eff. 4/12/76 (Temporary as Rule 436-51-130)
Amended 6/15/76 as WCB Admin.. Order 3-1976
Amended 4/2/80 as WCD Admin. Order 3-1980, eff. 4/2/80
Amended 2/10/82 as WCD Admin. Order 4-1982, eff. 2/15/82
Amended 12/22/83 as WCD Admin. Order 7-1983, eff. 12/27/83
Renumbered from OAR 436-51-008, January 1, 1986
Amended 12/12/85 as WCD Admin. Order 9-1985, eff. 1/1/86
Amended 12/18/87 as WCD Admin. Order 9-1987, eff. 1/1/88
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01

436-050-0003 Applicability of Rules

(1) These rules are effective [September 15, 2003] **January 1, 2004**, to carry out the provisions of:

- (a) ORS 656.017 - Employer required to pay compensation and perform other duties.
- (b) ORS 656.029 - Independent contractor status.
- (c) ORS 656.126 - Coverage while temporarily in or out of state.
- (d) ORS 656.407 - Qualifications of insured employers.

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- (e) ORS 656.419 - Guaranty contracts.
 - (f) ORS 656.423 - Cancellation of coverage by employer.
 - (g) ORS 656.427 - Termination of guaranty contract or surety bond liability by insurer.
 - (h) ORS 656.430 - Certification of self-insured employer.
 - (i) ORS 656.434 - Certification effective until canceled or revoked; revocation of certificate.
 - (j) ORS 656.443 - Procedure upon default by employer.
 - (k) ORS 656.447 - Sanctions against insurer for failure to comply with contracts, orders or rules.
 - (l) ORS 656.455 - Records location and inspection.
 - (m) ORS 656.745 - Civil penalties.
 - (n) ORS 656.850 and 656.855 - Worker-leasing companies.
 - (o) ORS 731.475 - Insurer's in-state location.
- (2) Applicable to this chapter, the director may, unless otherwise obligated by statute, in the director's discretion waive any procedural rules as justice so requires.

Stat. Auth: ORS 656.017, 656.029, 656.126, 656.407, 656.419, 656.423, 656.427, 656.430, 656.434, 656.443, 656.447, 656.455, 656.745, 656.850, 656.855, and 731.475

Stats. Implemented: ORS 656.704 and 656.726(4)

Hist: Filed 12/19/75 as WCB Admin. Order 18-1975, eff. 1/1/76, as Rule 436-51-001
Amended 4/12/76 as WCB Admin. Order 2-1976, eff. 4/12/76 (Temporary as Rule 436-51-130)
Amended 6/15/76 as WCB Admin. Order 3-1976
Amended 4/2/80 as WCD Admin. Order 3-1980, eff. 4/2/80
Amended 2/10/82 as WCD Admin. Order 4-1982, eff. 2/15/82
Amended 12/22/83 as WCD Admin. Order 7-1983, eff. 12/27/83
Renumbered from OAR 436-51-008, January 1, 1986
Amended 12/12/85 as WCD Admin. Order 9-1985, eff. 1/1/86
Amended 12/18/87 as WCD Admin. Order 9-1987, eff. 1/1/88
Amended 12/22/89 as WCD Admin. Order 5-1989, eff. 1/1/90
Amended 11/29/90 as WCD Admin. Order 27-1990, eff. 12/26/90
Amended 4/1/94 as WCD Admin. Order 94-052, eff. 5/1/94
Amended 3/8/96 as WCD Admin. Order 96-057, eff. 4/1/96
Amended 1/9/98 as WCD Admin. Order 98-050, eff. 1/23/98
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended 9/5/03 as WCD Admin. Order 03-056, eff. 9/15/03
Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

436-050-0005 Definitions

For the purpose of these rules unless the context requires otherwise:

- (1) "Audited Financial Statement" means a financial statement audited by an outside accounting firm.
- (2) "Board" means the Workers' Compensation Board of the Department of Consumer and Business Services.
- (3) "Client" means a person to whom workers are provided under contract and for a fee on a temporary or leased basis.

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(4) "Complete Records" means:

- (a) written records that segregate and show specifically for each employer the amounts due from the employer and paid by the insurer or self-insured employer for premiums for insurance coverage, premium assessments, and any other moneys due the director;
- (b) written records of claims for compensation made under ORS chapter 656; and
- (c) written records of guaranty contracts issued as required by ORS chapter 656.

(5) "Controlling Person" means an officer or Director of a corporation offering worker-leasing services, a shareholder holding 10 percent or more of the voting stock of a corporation offering worker-leasing services, or a partner of a partnership offering worker-leasing services; or an individual who possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of a company offering worker-leasing services through the ownership of voting securities, by contract or otherwise.

(6) "Days" means calendar days unless otherwise specified.

(7) "Default" means failure of an employer, insurer or self-insured employer to pay the moneys due the director under ORS 656.506, 656.612 and 656.614 at such intervals as the director shall direct.

(8) "Department" means the Department of Consumer and Business Services.

(9) "Director" means the Director of the Department of Consumer and Business Services or the Director's delegate for the matter, unless the context requires otherwise.

(10) "Division" means the Workers' Compensation Division of the Department of Consumer and Business Services.

(11) "Double Coverage" means more than one guaranty contract is on file with the director for the same period of time.

(12) "Fiscal Year" means the twelve-month period beginning July 1 and ending June 30.

(13) "Governmental Subdivision" means cities, counties, special districts defined in ORS 198.010, intergovernmental agencies created under ORS 225.050, school districts as defined in ORS 255.005, public housing authorities created under ORS chapter 456 or regional council of governments created under ORS chapter 190.

(14) "Hearings Division" means the Hearings Division of the Workers' Compensation Board.

(15) "Insurer" means a guaranty contract insurer.

(16) "Leased Worker" means any worker provided by a worker-leasing company on other than a "temporary basis" as described in OAR 436-050-0420.

(17) "Person" means an individual, partnerships, corporations, joint ventures, limited liability companies, associations, government agencies, sole proprietorships, or other business entities allowed to do business in the State of Oregon.

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(18) "Premium Assessments" means moneys due the director under ORS 656.612 and 656.614.

(19) "Process Claims" and its variations is the determination of compensability and management of compensation by an Oregon certified claims examiner. Although determining compensability and managing compensation must be done from within this state pursuant to ORS 731.475 and this definition, the act of making payment may be done from out-of-state as directed from the Oregon place of business.

(20) "Reinstatement" means the continuation of workers' compensation insurance coverage without a gap under a guaranty contract.

(21) "Self-Insured Employer" means an employer who has been certified under ORS 656.430 as having met the qualifications of a self-insured employer set out by ORS 656.407.

(22) "Self-Insured Employer Group" means five (5) or more employers certified under ORS 656.430 as having met the qualifications of a self-insured employer set out by ORS 656.407 and OAR 436-050-0260 through 436-050-0340.

(23) "State" means the State of Oregon.

(24) "Worker-Leasing Company" means a "person," as described in section (17) of this rule, who provides workers, by contract and for a fee, as established in ORS 656.850.

(25) "Written" and its variations means that which is expressed in writing, including electronic transmission.

Stat. Auth: ORS 656.704 and 656.726(4)

Stats. Implemented: ORS 656.704 and 656.726(4)

Hist: Filed 4/12/76 as WCB Admin. Order 2-1976, eff. 4/12/76 (Temporary) as Rule 436-51-135
Amended 6/15/76 as WCB Admin. Order 3-1976, eff. 6/15/76, as Rule 436-51-135
Amended 4/2/80 as WCD Admin. Order 3-1980, eff. 4/2/80
Amended 2/10/82 as WCD Admin. Order 4-1982, eff. 2/15/82
Amended 9/30/82 as WCD Admin. Order 10-1982, eff. 10/1/82
Amended 6/30/83 as WCD Admin. Order 1-1983, eff. 7/1/83
Amended 12/22/83 as WCD Admin. Order 7-1983, eff. 12/27/83
Renumbered from OAR 436-51-005, January 1, 1986.
Amended 12/12/85 as WCD Admin. Order 9-1985, eff. 1/1/86.
Amended 12/18/87 as WCD Admin. Order 9-1987, eff. 1/1/88
Amended 12/22/89 as WCD Admin. Order 5-1989, eff. 1/1/90
Amended 11/29/90 as WCD Admin. Order 27-1990, eff. 12/26/90
Amended 4/1/94 as WCD Admin. Order 94-052, eff. 5/1/94
Amended 3/8/96 as WCD Admin. Order 96-057, eff. 4/1/96
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01

436-050-0006 Administration of Rules

Any orders issued by the Division in carrying out the director's authority to enforce ORS chapter 656 and the rules adopted pursuant thereto, are considered orders of the director.

Stat. Auth: ORS 656.704 and 656.726(4)

Stats. Implemented: ORS 656.704 and 656.726(4)

Hist: Filed 12/19/75 as WCB Admin. Order 18-1975, eff. 1/1/76 as Rule 50-055
Amended 4/2/80 as WCD Admin. Order 3-1980, eff. 4/2/80
Amended 2/10/82 as WCD Admin. Order 4-1982, eff. 2/15/82
Amended 12/22/83 as WCD Admin. Order 7-1983, eff. 12/27/83
Renumbered from OAR 436-51-010, January 1, 1986
Amended 12/12/85 as WCD Admin. Order 9-1986, eff. 1/1/86
Amended 12/18/87 as WCD Admin. Order 27-1987, eff. 1/1/88

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Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01

436-050-0008 Administrative Review and Contested Cases

(1) Any party as defined by ORS 656.005, including an Assigned Claims Agent pursuant to ORS 656.054, aggrieved by an action taken pursuant to these rules in which a worker's right to compensation or the amount thereof is directly in issue may request a hearing by the Hearings Division of the Workers' Compensation Board in accordance with ORS Chapter 656 and the Board's Rules of Practice and Procedure for Contested Cases under the Workers' Compensation Law except where otherwise provided in ORS Chapter 656.

(2) Any party as described in section (1) aggrieved by a proposed order or proposed assessment of civil penalty of the director or division issued pursuant to ORS 656.254, 656.735, 656.745 or 656.750 may request a hearing by [the Hearings Division of the Workers' Compensation Board in accordance with ORS 656.740.

(a) The request for hearing must be sent in writing to the administrator of the Workers' Compensation Division. No hearing shall be granted unless the request specifies the grounds upon which the party requesting said hearing contests the proposed order or assessment.]

sending a written request to the Workers' Compensation Division's administrator within 60 days after the order was mailed.

[(b) The request for hearing must be filed with the administrator of the Workers' Compensation Division within sixty (60) days of receipt by the aggrieved party of notice of the proposed order or assessment. No hearing shall be granted unless the request is received by the administrator within said sixty (60) days of receipt of notice.]

(3) A hearing will not be granted if the request:

(a) fails to state the specific grounds for which the party contests the proposed order or assessment; or

(b) is mailed or delivered to the administrator more than 60 days after the order was mailed.

([3]4) Any party as described in section (1) aggrieved by an action or order of the director or division pursuant to these rules, other than as described in section (2), where such action or order qualifies for review by hearing before the director as a contested case, may request review pursuant to ORS 183.310 through 183.550 as modified by these rules pursuant to ORS 183.315(1). When the matter qualifies for review as a contested case, the process for review shall be as follows:

(a) The request for hearing must be sent in writing to the administrator of the Workers' Compensation Division. No hearing shall be granted unless the request specifies the grounds upon which the action or order is contested and is received by the administrator within 30 days of the action or from the date of mailing or other service of an order.

(b) The hearing shall be conducted by the director or the director's designee.

(c) Any order in a contested case issued by another person on behalf of the director is a proposed order subject to revision by the director. The director may allow objections to the proposed order to be filed for the director's consideration within 30 days of issuance of the proposed order.

[4](5) Any party described in section (1) aggrieved by an action taken pursuant to these

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rules by another person except as described in sections (1) through (3) above may request administrative review by the division on behalf of the director. The process for administrative review of such matters shall be as follows:

(a) The request for administrative review shall be made in writing to the administrator of the Workers' Compensation Division within 90 days of the action. No administrative review shall be granted unless the request specifies the grounds upon which the action is contested and is received by the administrator within 90 days of the contested action unless the director or his designee determines that there was good cause for delay or that substantial injustice may otherwise result.

(b) The review, including whether the request is timely and appropriate, may be conducted by the administrator, or the administrator's designee, on behalf of the director.

(c) In the course of said review, the person conducting the review may request or allow such input or information from the parties as he or she deems to be helpful.

(d) The determination by the person conducting the review will specify whether the determination constitutes a final order or whether an aggrieved party may request a contested case hearing before the director pursuant to ORS Chapter 183.

(e) Any request for a contested case hearing before the director regarding a review determination made pursuant to this section must comply with the procedures provided in section [(3)](4) above.

Stat. Auth: ORS 656.704, 656.726(4), and 656.745

Stats. Implemented: ORS 656.254, 656.735, 656.745, and 656.750

Hist: Filed 12/19/75 as WCB Admin. Order 1-1975, eff. 1/1/76 as Rule 436-58-055
Amended 4/2/80 as WCD Admin. Order 3-1980, eff. 4/2/80
Amended 2/10/82 as WCD Admin. Order 4-1982, eff. 2/15/82
Amended 12/22/83 as WCD Admin. Order 7-1983, eff. 12/27/83
Renumbered from OAR 436-51-998, January 1, 1986
Amended 12/12/85 as WCD Admin. Order 9-1985, eff. 1/1/86
Amended 12/18/87 as WCD Admin. Order 9-1987, eff. 1/1/88
Amended 11/29/90 as WCD Admin. Order 27-1990, eff. 12/26/90
Amended 1/9/98 as WCD Admin. Order 98-050, eff. 1/23/98
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

436-050-0015 Suspension and Revocation of Authorization to Issue Guaranty Contracts

(1) Pursuant to ORS 656.447, the director may suspend or revoke the insurer's authority to issue guaranty contracts upon a determination that the insurer has failed to comply with its obligations under such contract or that it has failed to comply with the rules or orders of the director.

(2) For the purpose of this rule:

(a) "Suspension" and its variations means a stopping by the director of the insurer's authority to issue new guaranty contracts for a specified period of time.

(b) "Revocation" and its variations means a permanent revocation by the director of an insurer's authority to issue guaranty contracts.

(c) "Show-cause hearing" means an informal meeting with the director or designee in

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which the insurer shall be provided an opportunity to be heard and present evidence regarding any proposed orders by the director to suspend or revoke an insurer's authority to issue guaranty contracts.

(3) Suspension or revocation under this rule will not be made until the insurer has been given notice and the opportunity to be heard through a show-cause hearing before the director and "show cause" why it should be permitted to continue to issue guaranty contracts.

(4) A show-cause hearing may be held at any time the director finds that an insurer has failed to comply with its obligations under a guaranty contract or has failed to comply with rules or orders of the director.

(5) Following a show-cause hearing, the director may rescind the proposed order if the insurer establishes to the director's satisfaction its ability and commitment to comply with ORS Chapter 656 and these rules.

(6) A suspension may be in effect for a period of up to 18 months. A suspended insurer may continue to serve existing accounts and renew any existing policy, unless the policy lapses or is canceled during the period of suspension.

(7) After 12 months of the suspension has elapsed, the division may audit the performance of the insurer. If the insurer is in compliance, the administrator may request the director to lift the suspension before the 18 months has elapsed. If the insurer is not in compliance, the administrator may request the director revoke the insurer's authority to issue guaranty contracts.

(8) When an insurer's authority to issue guaranty contracts has been revoked, the insurer may serve an existing account only until the policy lapses, is canceled or until the next renewal date, whichever first occurs.

(9) After a revocation of an insurer's authority to issue guaranty contracts has been in effect for five years or longer, it may petition the director to restore its authority by submitting a plan in the form prescribed by the director, demonstrating its ability and commitment to comply with the workers' compensation law, these rules and orders of the director.

(10) Appeal of proposed and final orders of suspension and revocation issued under this rule may be made as provided in OAR 436-050-0008.

(11) Any order of suspension or revocation issued by a referee or other person pursuant to ORS 656.447 and this rule is a preliminary order subject to revision by the director.

Stat. Auth: ORS 656.704 and 656.726(4)

Stats. Implemented: ORS 656.447

Hist: Filed 11/29/90 as WCD Admin. Order 27-1990, eff. 12/26/90
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01

[436-050-0020 Service of Order; Notice

(1) When the director imposes a civil penalty, the Order, including a notice of the party's appeal rights, shall be served on the party.

(2) The Order shall be served by:

(a) Sending a copy of the Order to the party by certified mail return receipt requested. If the employer is a corporation, the certified mail may be addressed to any one of the persons named in Rule 7 of Oregon Rules of Civil Procedure subsection (D)(3)(b)(i); or

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(b) Delivering a copy to the party in the manner provided by Rule 7 of Oregon Rules of Civil Procedure, subsection (D)(2).

(3) Orders issued pursuant to these rules shall contain a notice of rights pursuant to ORS 183.090 and 183.413 to 183.470.]

Stat. Auth: ORS 656.704 and 656.726(4)

Stats. Implemented: ORS 656.704, 656.726, and 656.740

Hist: Filed 12/19/75 as WCB Admin. Order 18-1975, eff. 1/1/76 as Rule 436-58-060
Amended 4/2/80 as WCD Admin.. Order 3-1980, eff. 4/2/80
Amended 2/10/82 as WCD Admin. Order 4-1982, eff. 2/15/82
Amended 12/22/83 as WCD Admin. Order 7-1983, eff. 12/27/83
Renumbered from OAR 436-51-983, January 1, 1986
Amended 12/12/85 as WCD Admin. Order 9-1985, eff. 1/1/86
Amended 12/18/87 as WCD Admin. Order 9-1987, eff. 1/1/88
Amended 12/22/89 as WCD Admin. Order 5-1989, eff. 1/1/90
Amended 11/29/90 as WCD Admin. Order 27-1990, eff. 12/26/90
Amended 6/22/01 WCD Admin. Order 01-054, eff. 7/1/01
Repealed XX/XX/XX WCD Admin. Order XX/XXX, eff. XX/XX/XX

436-050-0040 Responsibility for Providing Coverage When a Contract Is Awarded

(1) In the operation of ORS 656.029 a subject employer who fails to comply with ORS 656.017 is a “noncomplying employer” as defined by ORS 656.005.

(2) For the purposes of this rule:

(a) “Assistance of others” means one or more individuals directly and immediately aiding in a common undertaking.

(b) “Normal and customary part or process of the person’s trade or business” refers to the day-to-day activities or operations which are necessary to successfully carry out the business or trade.

(3) Pursuant to ORS 656.037, a person contracting to pay remuneration for professional real estate activity as defined in ORS [C]chapter 696[,] to a qualified real estate [agent]**broker or qualified principal real estate broker, as defined in ORS 316.209,** is not an employer of the qualified [real estate agent if:]**broker.**

[(a) The real estate agent has a real estate license;

(b) Substantially all of the remuneration (whether or not paid in cash) for services performed by the individual as a real estate licensee is directly related to sales or other output rather than to the number of hours worked;

(c) The services performed by the individual are performed pursuant to a written contract between the individual and the real estate broker, real estate appraiser or real estate organization for whom the services are performed; and

(d) The contract provides that the individual will not be treated as an employee with respect to the services for Oregon tax purposes.]

Stat. Auth: ORS 656.704 and 656.726(4)

Stats. Implemented: ORS 656.029 and 656.037

Hist: Filed 4/2/80 as WCD Admin. Order 3-1980, eff. 4/2/80
Amended 2/10/82 as WCD Admin. Order 4-1982, eff. 2/15/82
Amended 12/22/83 as WCD Admin. Order 7-1983, eff. 12/27/83
Renumbered from OAR 436-51-052, January 1, 1986
Amended 12/12/85 as WCD Admin. Order 9-1985 eff. 1/1/86
Amended 12/18/87 as WCD Admin. Order 9-1987 eff. 1/1/88
Amended 12/22/89 as WCD Admin. Order 5-1989, eff. 1/1/90
Amended 11/29/90 as WCD Admin. Order 27-1990, eff. 12/26/90
Amended 3/8/96 as WCD Admin. Order 96-057, eff 4/1/96
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

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436-050-0045 Non-Subject Workers

(1) As used in ORS 656.027(1):

(a) "Private employment contract" means direct employment of the worker by the owner of the private home.

(b) As used in this rule, "owner of the private home" means any person who occupies and either owns, leases or rents the private home, or any person related by blood or marriage to that person, or any person who by direction of that person or by order of a court has become responsible for managing the household affairs of that person.

(2) As used in ORS 656.027(19):

(a) "A person performing foster parent duties" means any person certified by the State Office for Services to Children and Families under ORS Chapter 418 as a foster parent, or any person employed by that person in the operation of a foster home as defined in ORS Chapter 418 and any rules promulgated thereunder.

(b) "A person performing adult foster care duties" means any person licensed by the Senior and Disabled Services Division or the Mental Health and Developmental Disability Services Division to operate an adult foster home, or any person employed by the operator to perform services of assistance to the residents of the adult foster home.

(3) As used in this rule, "adult foster home" means any family home or facility, licensed under ORS 443.705 to 443.825, in which room, board, and 24-hour care services are provided, for compensation, to five or fewer adults who are not related to the operator by blood or marriage.

Stat. Auth: ORS 656.704 and 656.726(4)

Stats. Implemented: ORS 656.027

Hist: Filed 10/4/91 as WCD Admin. Order 8-1991, eff. 10/7/91 (Temporary)
Amended 1/10/92 as WCD Admin. Order 2-1992, eff. 2/1/92.
Amended 1/9/98 as WCD Admin. Order 98-050, eff. 1/23/98
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01

436-050-0050 Corporate Officers, Partnerships; Limited Liability Company Members; Subjectivity

(1) Pursuant to ORS 656.027, [certain officers, limited liability company members, and partners may be nonsubject workers. Each a corporation, limited liability company, [and] or partnership [shall] must [designate] elect in writing [with] to its insurer to provide workers' compensation coverage for otherwise nonsubject workers. [which of its eligible officers, members, or partners are to be exempt from coverage]. Such [designations] election [shall] must be made at the inception of a coverage policy and remain in effect until a revised written designation is given to the insurer. A self-insured [entity] employer [shall] must file [this designation] the election with the director. If an entity does not file its initial [designation] election, or is not in compliance pursuant to ORS 656.017 and 656.407, then those exempt individuals shall be determined in the following order [of the following]:

(a) [The order of exempt officers for] For a corporation [if not otherwise designated pursuant to this rule is]:

(A) President[:];

(B) Secretary, if any;

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- (C) Vice President, if any;
- (D) Secretary/Treasurer, if any;
- (E) Treasurer, if any;
- (F) All other [o]fficers, if any.

(b) [The order of exempt members of] **For** a limited liability company or partners of a partnership:

(A) The member or partner with the largest ownership interest; [will fall first to the member or partner with the largest ownership interest]

(B) [then to t] **The** next largest ownership interest.

(c) If there is more than one person or the ownership interest is the same in any of the offices listed in subsections (a) and (b) of this rule, the sequence of those persons will be determined by whose birthday falls earlier in a year.

(2) Noncomplying corporations, noncomplying limited liability companies, or noncomplying partnerships, regardless of the number of employees, are limited to two exempt officers, members, or partners to be determined in accordance with section (1) of this rule.

(3) For purposes of clarifying terms used in ORS 656.027:

(a) "Commercial harvest of timber" means all commercial activities relating to harvest of timber from a parcel of property including, but not limited to, road building, marking of trees to be cut, timber falling, slash removal, and transportation of timber to the location where it will be processed into lumber or other products.

(b) "Director" means a person elected or appointed to a corporation's board of directors in accordance with its articles of incorporation or bylaws.

(c) "Eligible officer" means a corporate officer who is also a Director of the corporation and who has a substantial ownership interest in the corporation.

(d) "Eligible partner" or "eligible member" means a partner or member who has substantial ownership in the business entity.

(e) "Noncomplying" means an employing legal entity of subject workers which is in violation of ORS 656.017(1).

(f) "Substantial ownership" means a percentage of ownership equal to or greater than the average percentage of ownership of all owners or ten percent, whichever is less.

Stat. Auth: ORS 656.704 and 656.726(4)

Stats. Implemented: ORS 656.126, 656.027

Hist: Filed 12/22/89 as WCD Admin. Order 5-1989, eff. 1/1/90
Amended 11/29/90 as WCD Admin. Order 27-1990, eff. 12/26/90
Amended 3/8/96 as WCD Admin. Order 96-057, eff. 4/1/96
Amended 1/9/98 as WCD Admin. Order 98-050, eff. 1/23/98
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

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436-050-0055 Extraterritorial Coverage

(1) Criteria to be used in determining whether a worker is temporarily in or out of state pursuant to ORS 656.126 may include, but are not limited to:

- (a) The extent to which the worker's work within the state is of a temporary duration;
- (b) The intent of the employer in regard to the worker's employment status;
- (c) The understanding of the worker in regard to the employment status with the employer;
- (d) The permanent location of the employer and its permanent facilities;
- (e) The circumstances and directives surrounding the worker's work assignment;
- (f) The state laws and regulations to which the employer is otherwise subject;
- (g) The residence of the worker;

(h) The extent to which the employer's [contract]work in the state is of a temporary duration, established by a beginning date and expected ending date of the employer's [contract]work; and

(i) Other information relevant to the determination.

(2) Within 30 days after coverage of an Oregon employer is effective, the insurer providing the coverage shall notify the employer in writing of the provisions of ORS 656.126 and this rule.

Stat. Auth: ORS 656.704 and 656.726(4)

Stats. Implemented: ORS 656.126

Hist: Filed 12/22/89 as WCD Admin. Order 5-1989, eff. 1/1/90
Amended 11/29/90 as WCD Admin. Order 27-1990, eff. 12/26/90
Amended 3/8/96 as WCD Admin. Order 96-057, eff. 4/1/96
Amended 1/9/98 as WCD Admin. Order 98-050, eff. 1/23/98
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

436-050-0060 Guaranty Contract Filing Requirements; Evidence of Authority

(1) Every guaranty contract issued by an insurer pursuant to ORS 656.419 shall:

(a) Contain information pursuant to, and be filed in accordance with, ORS 656.419 and this rule.

(b) Be in writing and shall include the employer FEIN or other federal tax reporting number; legal name of the employer; type of ownership; primary nature of business; [employer telephone number;]employer mailing address; employer principal place of business address; specific insurer providing coverage; policy number; effective date of coverage; insurer representative signature; and statement of assumption of liability pursuant to ORS 656.419(1).

(c) Be submitted in a form and format prescribed by the Director; and

(d) Be completed in its entirety prior to submission to the director.

(2) A [Standard Industrial Classification Code (SIC) or North American Industry Classification System (NAIC)]National Council on Compensation Insurance (NCCI) classification code [will satisfy]satisfies the

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required [required description of the]nature of [the]business **description** in which [the]**an** employer is engaged or proposes to engage.

(3) Incomplete, illegible, or incorrect guaranty contracts received by the director may not be considered filed.

Stat. Auth: ORS 656.704 and 656.726(4)

Stats. Implemented: ORS 656.419, 656.427

Hist: Filed 12/19/75 as WCB Admin. Order 18-1975, eff. 1/1/76
Amended 4/2/80 as WCD Admin. Order 3-1980, eff. 4/2/80
Amended 2/10/82 as WCD Admin. Order 4-1982, eff. 2/15/82
Amended 6/30/83 as WCD Admin. Order 1-1983, eff. 7/1/83
Amended 12/22/83 as WCD Admin. Order 7-1983, eff. 12/27/83
Renumbered from OAR 436-51-100, January 1, 1986
Amended 12/12/85 as WCD Admin. Order 9-1985 eff. 1/1/86
Amended 12/18/87 as WCD Admin. Order 9-1987 eff. 1/1/88
Amended 3/8/96 as WCD Admin. Order 96-057, eff 4/1/96
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended 3/17/03 as WCD Admin. Order 03-053, eff. 4/1/03
Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

436-050-0070 Requalifying Required when Employer Entity Changes

(1) An employer shall, if there is any change in the employing legal entity, requalify with the director in accordance with ORS 656.017. An employer shall within 10 days after a change in legal entity occurs, notify its insurer of such change. A change in legal entity includes, but is not limited to:

(a) When the employer is a sole proprietorship, partnership or corporation and changes to a sole proprietorship, partnership or corporation ; or

(b) When partners of a partnership establish another separate and distinct partnership.

(2) When a change in the legal entity of an insured employer occurs, the insurer shall, within 30 days, file a written guaranty contract with the director as evidence of the change.

(3) Even though there is no change in legal entity, if there is a disassociation or admission of a partner of a partnership, the employer shall within 10 days after the change, notify its insurer of such change. The insurer shall, within 30 days of being notified of the change, file an endorsement to the guaranty contract on file that sets forth the disassociation or admission of the partner and the effective date of such disassociation or admission.

Stat. Auth: ORS 656.704 and 656.726(4)

Stats. Implemented: ORS 656.419

Hist: Filed 12/19/75 as WCB Admin. Order 18-1975, eff. 1/1/76
Amended 4/12/80 as WCD Admin. Order 3-1980, eff. 4/2/80
Amended 2/10/82 as WCD Admin. Order 4-1982, eff. 2/15/82
Amended 12/22/83 as WCD Admin. Order 7-1983, eff.. 12/27/83
Renumbered from OAR 436-51-105, January 1, 1986
Amended 12/12/85 as WCD Admin. Order 9-1985 eff. 1/1/86
Amended 12/18/87 as WCD Admin. Order 9-1987 eff. 1/1/88
Amended 1/9/98 as WCD Admin. Order 98-050, eff 1/23/98
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01

436-050-0080 Personal Elections

(1) When a person makes an election under ORS 656.039, 656.128 or 656.140, the insurer [shall] **must** give [evidence of the election, and of any cancellation of the election, by issuance of an endorsement to the insured employer's guaranty contract. The endorsement shall be issued within 30 days after the effective date of the election or within 10 days after

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cancellation of such an election] **the director notice of the election and of cancellation of the election. The election notice may be included as a "flag" type notice in a guaranty contract filing but should not include specific names for whom election is made. Specifics of an election of coverage for persons defined as nonsubject workers or not defined as subject workers must be filed with the insurer, or in the case of self insurance with the director, by written notice identifying by position held or by specific name which otherwise nonsubject worker is being made subject by the election.**

(2) A personal election made under ORS 656.140 may be canceled by giving written notice to the insurer as provided by ORS 656.128.

Stat. Auth: ORS 656.704 and 656.726(4)
Stats. Implemented: ORS 656.039, 656.128, and 656.140
Hist: Filed 12/19/75 as WCB Admin. Order 18-1976, eff. 1/1/76
Amended 4/2/80 as WCD Admin. Order 3-1980, eff. 4/2/80
Amended 2/10/82 as WCD Admin. Order 4-1982, eff. 2/15/82
Amended 12/22/83 as WCD Admin. Order 7-1983, eff. 12/27/83
Renumbered from OAR 436-61-110, January 1, 1986
Amended 12/12/86 as WCD Admin. Order 9-1985, eff. 1/1/86
Amended 12/18/87 as WCD Admin. Order 9-1987, eff. 1/1/88
Amended 3/8/96 as WCD Admin. Order 96-057, eff. 4/1/96
Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

436-050-0090 Notice to the Director of Change of Name or Address of Insured Employer

Notice to the director of change of name or address as required by ORS 656.419, shall be given by filing in a form and format, or manner as prescribed by the director, a guaranty contract endorsement with the director as evidence of the change. A change of address includes:

- (1) A change in the employer's mailing address, [and] **or**
- (2) A change in the employer's principal place of business in Oregon.

Stat. Auth: ORS 656.704 and 656.726(4)
Stats. Implemented: ORS 656.419
Hist: Filed 12/19/76 as WCB Admin. Order 18-1975, eff. 1/1/76
Amended 4/2/80 as WCD Admin. Order 3-1980, eff. 4/2/80
Amended 2/10/82 as WCD Admin. Order 4-1982, eff. 2/15/82
Amended 12/22/83 as WCD Admin. Order 7-1983, eff. 12/27/83
Renumbered from OAR 436-51-115, January 1, 1986
Amended 12/12/85 as WCD Admin. Order 9-1985, eff. 1/1/86
Amended 12/18/87 as WCD Admin. Order 9-1987, eff. 1/1/88
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

436-050-0100 Cancellation of Coverage by Employer; Reinstatement of Guaranty Contract; Carrier Liability

(1) An employer may cancel coverage with an insurer pursuant to ORS 656.423. An employer's cancellation of coverage with an insurer does not terminate a guaranty contract. Liability of an insurer under a guaranty contract [or surety bond to an employer] under this chapter is terminated by an insurer taking action pursuant to ORS 656.427.

(2) [A guaranty contract terminated pursuant to ORS 656.427 may be reinstated provided the insurer submits notice to the director stating that the termination notice is being rescinded with no lapse in coverage. Notice under this section shall be in writing and include the name of the insurer, legal name of the insured, insured's address, insured's telephone number, insurance policy number, and the insured employer's Federal Employer Identification Number (FEIN).] **An insurer may terminate liability on its guaranty contract**

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or surety bond by giving the employer and director notice of termination in accordance with ORS 656.427 and this rule.

(3) Notice to the employer for terminating an insurer's guaranty contract filed with the director must be in writing and must state the effective date of termination. The termination is effective:

(a) if terminated because the insurer decides not to offer insurance to employers within a specific premium category, not sooner than 90 days after the insurer mails notice to the employer; or

(b) if terminated for reasons other than in subsection (a) of this section, not less than 30 days after the insurer mails notice to the employer.

(4) The insurer bears the burden of proof establishing that a termination notice was mailed to an employer. The notice and proof of mailing must be made available in Oregon upon request.

(5) Notice to the director for termination of a guaranty contract can be provided separately under administrative rule 436-160 or under this rule; or in a list if filing by hard copy submission under this rule. The notice must:

(a) be in writing;

(b) clearly identify the insurer;

(c) include the employer(s) legal name; Federal Employer Identification Number (FEIN) or other tax reporting number, and the effective date of such termination; and

(d) be mailed or delivered to the director within 14 calendar days after the effective date of the termination.

(6) Failure to provide timely notice to the director of termination of an insurer's guaranty contract may result in civil penalties pursuant to ORS 656.745.

(7) A guaranty contract termination notice may be rescinded and the guaranty contract reinstated if there will not be a lapse in the employer's coverage. If there is a lapse in the employer's coverage and the insurer reestablishes a policy for the employer, the insurer must file a new guaranty contract which reports the effective date of the coverage.

([3]8) Pursuant to ORS 656.427(5), an employer may give notice to the insurer seeking continued coverage. The notice must be given before the effective date of the insurer guaranty contract termination and must be in writing. The notice must at least include a statement that other coverage has not been obtained and that the employer intends to become insured under the plan as established in ORS 656.730. Further application by the employer is not required. Pursuant to ORS 656.427(5), the insurer so notified must then insure continuing coverage and may take the additional steps to transfer the risk to the plan.

([4]9) [When there are] **If** two or more [effective] guaranty contracts **are in effect** [on file with the director covering] **for** the same **time** period, the insurer filing the **employer's** most recent **arrangement for coverage** [contract] shall [have all] **bear** responsibility for processing claims [of the employer for the period its

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guaranty contract is in effect] occurring during the time period.

(10) If a guaranty contract is in effect, and an active self insurance certification is on file with the director for the same time period, the self insured employer bears the responsibility of processing claims occurring during the time period as arranged under the self insurance certification.

Stat. Auth: ORS 656.704 and 656.726(4)

Stats. Implemented: ORS 656.423 and 656.427

Hist: Filed 12/9/75 as WCB Admin. Order 18-1975, eff. 1/1/76
Amended 4/2/80 as WCD Admin.. Order 3-1980, eff. 4/2/80
Amended 2/10/82 as WCD Admin.. Order 4-1982, eff. 2/15/82
Amended 12/22/83 as WCD Admin. Order 7-1983, eff. 12/27/83
Renumbered from OAR 436-51-120, January 1, 1986
Amended 12/12/85 as WCD Admin. Order 9-1985, eff. 1/1/86
Amended 12/18/87 as WCD Admin. Order 9-1987, eff. 1/1/88
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

436-050-0110 Notice of Insurer's Place of Business in State; Coverage Records Insurer Must Keep in Oregon

(1) Every insurer that is authorized to issue workers' compensation coverage to subject employers as required by ORS Chapter 656 shall give the director notice of the location, mailing address, telephone number, and any other contact information in this state where the insurer processes claims and keeps written records of claims and guaranty contracts as required by ORS 731.475. While the insurer may have more than one location in this state, the information provided to the director must reasonably lead an inquirer to a person who can respond to inquiries as to guaranty contract information and to access an in-state Oregon certified claims examiner who can respond within a reasonable time to specific claims processing inquiries. A response time of forty-eight (48) hours or less not including weekends or legal holidays would satisfy a reasonable expectation.

(2) Notice under section (1) of this rule shall be filed with the director within 30 days after the insurer becomes authorized and starts writing workers' compensation insurance policies for Oregon subject employers.

(3) If an insurer elects to use a service company to satisfy the purposes of ORS 731.475 with respect to all or any portion of its business, the insurer shall, prior to its effective date, file with the division a copy of the agreement between the insurer and each company, and shall give the division notice of the location and mailing address of each service company.

(4) For the purpose of this section, those activities conducted at designated in-state location(s) and by the authorized representative(s) of the insurer shall include, but not be limited to:

- (a) Processing claims and responding to specific claims processing inquiries;
- (b) Keeping of records in a written form, not necessarily original form, and making those records available upon request;
- (c) Accommodating in-state periodic audits of the director; and
- (d) Providing copies of guaranty contracts, related information, and responding to

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inquiries to resolve coverage issues.

(5) If its place of business or that of a service company elected in lieu of an in-state place of business is changed, the insurer shall notify the director of the new location, mailing address, telephone number, and any other contact information of the place of business at least 30 days prior to the effective date of the change.

(6) [When an insurer with respect to any portion of its business changes service companies, changes from self-administration to a service company or from a service company to self-administration, the insurer shall notify the director of which claims, if any, will be transferred at least 10 days prior to the date of transfer. Notice to the director shall include:] **At least 10 days prior to changing claims processing locations, service companies, or self-administration, an insurer must notify workers with open or active claims, their attorneys, and primary care physicians. The notice must provide the name of a contact person, telephone number, mailing address, and physical address where a worker's claim is to be processed. The insurer must also notify the director of which claims will be transferred. The notice to the director must include:**

(a) Contact information for both the sending processor and receiving processor of the claims to include a contact person, telephone number, mailing address, and physical address where the claims are to be processed; and

(b) A listing of the claims being transferred which identifies the sending processor's claim number, claimant name, claimant's social security number, and date of injury. The list should also include the employer's WCD number and WCD's claim number, if known.

(7) Records every insurer is required to keep in this state include all the written records of the insurer that show its insured employers have complied with ORS 656.017, including[but not limited to] the records described by OAR 436-050-0120.

Stat. Auth: ORS 731.475, 656.704, and 656.726(4)

Stats. Implemented: ORS 731.475

Hist: Filed 12/19/75 as WCB Admin. Order 18-1975, eff. 1/1/76
Amended 4/2/80 as WCD Admin. Order 3-1980, eff. 4/2/80
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Amended 12/22/83 as WCD Admin. Order 71983, eff. 12/27/83
Renumbered from OAR 436-51-120, January 1, 1986
Amended 12/12/85 as WCD Admin. Order 9-1986, eff. 1/1/86
Amended 12/18/87 as WCD Admin. Order 91987, eff. 1/1/88
Amended 12/22/89 as WCD Admin. Order 51989, eff. 1/1/190
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

436-050-0120 Records Insurers Must Keep in Oregon; Removal and Disposition

(1) The records of claims for compensation that each insurer is required to keep in this state include:

(a) Written records used and relied upon in processing claims; and

(b) A written record of all payments made as a result of any claim **including documentation of the date the payment was mailed. Documentation may be the actual mailing date, or an explanation of the time period between the date of issuance and mailing.**

(2) Records of a denied claim may be removed from this state after all the appellate procedures have been exhausted and the denial has been affirmed by operation of law.

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(3) Records of any claim for a compensable injury may be removed from this state after the expiration of the aggravation rights or not less than one year following the final payment of compensation, whichever is the last to occur.

(4) When a denied claim is found to be compensable, the records of such claim are thereafter subject to section (3) of this rule.

(5) Claims records may be destroyed when all potential for benefits to the injured worker is gone.

(6) The records relating to guaranty contracts that insurers are required to keep in the state include:

(a) A written record of each guaranty contract, termination, cancellation, reinstatement, and endorsement issued under the Workers' Compensation Law;

(b) Written records of premiums due and premiums collected by the insurer from its insured employers as a result of coverage issued under the Workers' Compensation Law; and

(c) Written records of all money due and all such money collected from insured employers for the director and required to be remitted to the director.

(7) If all remittances have been made, guaranty contract records may be disposed of after the end of three full calendar years following the calendar year in which the guaranty contract terminates.

Stat. Auth: ORS 731.475, 656.704, and 656.726(4)

Stats. Implemented: ORS 731.475

Hist: Filed 12/19/75 as WCB Admin. Order 18-1975, eff. 1/1/76 as Rules 436-51-210 and 436-51-215
Amended 4/2/80 as WCD Admin. Order 3-1980, eff. 4/2/80
Amended 2/10/82 as WCD Admin. Order 4-1982, eff. 2/15/82
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436-050-0150 Qualifications of a Self-Insured Employer

(1) An employer shall qualify as a self-insured employer by:

(a) Establishing proof that the employer has an adequate staff qualified to process claims;

(b) Establishing proof of the financial ability to make certain the prompt payment of all compensation and other payments due under ORS 656; [and]

(c) Obtaining excess insurance coverage in the amounts approved by the director[.]; **and**

(d) Being registered and authorized to do business in this state pursuant to ORS Chapters 58, 60, 62, 63, 65, 67, 70, and 648, as applicable.

(2) An employer shall establish proof of an adequate staff qualified to process claims by:

(a) Employing and retaining at each claims processing location, at least one person that is qualified in accordance with OAR 436-055-0070 and is actually involved in the claims

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processing function; or

(b) Contracting the services of one or more service companies that employ at each claims processing location **in this state**, at least one person qualified in accordance with OAR 436-055-0070 and that is actually involved in the self-insured employer's claims processing.

(3) An employer shall establish proof of financial ability by [depositing, in a depository, designated by the director, money, government securities or other surety] **providing a security deposit that** the director [may] determines **is** acceptable **in accordance with OAR 436-050-0165**, and in an amount as determined in accordance with OAR 436-050-0180.

(4) Failure of a certified self-insured employer to maintain the qualifications required in this [section] **rule** shall result in revocation of the employer's self-insured certification. The employer will be given 30 days['] written notice of the intent to revoke the self-insured certification, to be effective 30 days from the date of receipt of the revocation notice. If the employer complies with the qualification requirements within the 30-day period, the revocation [is] **will be** canceled and the certification **will** remain[s] in effect.

Stat. Auth: ORS 656.407, 656.704, and 656.726(4)

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436-050-0160 Applying for Certification as a Self-Insured Employer

(1) An employer applying for certification as a self-insured employer must submit the following information:

(a) An application in a form and format prescribed by the director to become a self-insured employer;

(b) Proof of the employer's claims processing ability **by** employing and retaining at each claims processing location, at least one person that is actually involved in the claims processing function and is qualified in accordance with OAR 436-055-0070; **or by contracting with a service company that will have at least one person qualified in accordance with OAR 436-055-0070, that will be processing the employer's claims in this state, pursuant to ORS 656.455(1);**

(c) The employer's audited financial statements or audited annual reports for the last three fiscal or calendar years. If the audited financial statements of a parent company are provided in lieu of statements for the employer, the director will not authorize the individual employer to be self-insured under it[']s own program, unless a parental company guarantee can be obtained. Otherwise, it will be necessary for the parent company to be the self-insured employer or to separately insure the employer. In the context of this section, a parent company is a legal entity which owns a majority interest in the employer, or owns a majority interest in

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another entity or succession of entities which owns a majority interest in the employer;

(d) The employer's most recently promulgated experience rating modification worksheet and supporting documentation. Applicants with prior Oregon experience who do not submit this data will be assigned a 1.50 experience rating modification pending receipt of the data. All those without prior Oregon experience will be assigned a 1.00 experience rating modification;

(e) The type, retention and limitation levels of excess **workers' compensation** insurance the employer is planning to obtain as required by OAR 436-050-0170;

(f) If applicable, **within 30 days after the date of certification**, a service agreement between the employer and [each] service company that has been signed by both parties. The agreement shall also contain the location, mailing address, telephone number, and any other contact information of [each] **the** service company;

(g) Evidence from a surety bond company, **admitted to do surety business in this state**, that they will issue a surety bond for the employer, as Principal, and the **Oregon Department of Consumer and Business Services**, Workers' Compensation Division, as Obligee; **or evidence from a qualified bank that they will issue an irrevocable standby letter of credit for the employer with the Oregon Department of Consumer and Business Services, as the beneficiary;** [and]

(h) Evidence of an occupational safety and health loss control program in accordance with OAR 437-001 as required by ORS 656.430(10)[.]; **and**

(i) Evidence of authorization to do business in this state pursuant to ORS chapters 58, 60, 62, 63, 65, 67, 70, and 648, as applicable.

(2) Within 30 days of receipt of all information required in section (1) of this rule, the director will review the application and notify the employer that the request for certification as a self-insured employer is denied and the reason therefore; or, that the employer is qualified as a self-insured employer. If the employer qualifies as a self-insured employer, the notice shall include:

(a) The **type and the** amount of **the** [surety] **security** deposit required;

(b) Approval of the type, retention and limitation levels of the excess insurance; or

(c) The type, retention and limitation levels of excess insurance required.

(3) **If approved**, [T]the certification of self-insurance will be issued upon receipt of the [surety] **security** deposit[.] **and** the appropriate excess insurance binder[and if applicable, a service agreement between the employer and service company that has been signed by both parties].

(4) Unless a **later** date is specified by the applicant, the effective date of certification will be the first day of the [calendar quarter] **month** following the date the requirements of section (3) of this rule are met.

(5) Notwithstanding subsection (1)(c) of this rule, an employer making application may submit certified financial statements in lieu of audited financial statements or annual reports. [if the employer:] **However, the director may require the employer to submit audited financial**

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statements if the certified financial statements submitted are insufficient to evaluate the employer's financial status.

- [(a) Deposits surety in the form of a surety bond approved by the director; or
(b) Increases the surety deposit, in a form approved by the director by \$100,000 over the amount as determined pursuant to OAR 436-050-0180.]

Stat. Auth: ORS 656.430, 656.704, and 656.726(4)

Stats. Implemented: ORS 656.430

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Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended 7/18/03 as WCD Admin. Order 03-058, eff. 7/18/03 (Temporary)
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436-050-0165 Security Deposit Requirements

(1) For the purposes of this rule:

(a) "Employer" includes employer groups

(b) "Self-insured employer" includes self-insured employer groups; and

(c) "ISLOC" means irrevocable standby letter of credit.

(2) An employer is required to provide a security deposit that is acceptable to the director, to establish proof of its financial ability, and to be qualified and certified as a self-insured employer or to be certified as a self-insured employer group. In accordance with ORS 656.407, a surety bond or an irrevocable standby letter of credit (ISLOC) may be accepted for the required security deposit if it complies with the following conditions and requirements:

(a) An ISLOC may be approved by the director as all or part of the security deposit. The director may approve the ISLOC if the issuing bank and the ISLOC meet the requirements of this rule:

(A) The ISLOC shall be issued by or confirmed by an Oregon state chartered bank from which funds will be immediately payable on demand or a federally chartered bank that has an Oregon branch office, from which funds will be immediately payable on demand. The bank issuing an ISLOC shall have at the time of issuance a credit rating as set forth below:

(i) An "Aaa", "Aa", or "A" long term certificate of deposit (CD) rating in the current monthly edition of "Moody's Statistical Handbook" prepared by Moody's Investors Service Inc., New York; or

(ii) An "AAA", "AA" or "A" long term certificate of deposit (CD) rating in the current quarterly edition or monthly supplement of "Financial Institutions Ratings" prepared by Standard & Poors Corporation, New York.

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(B) Federally chartered instrumentalities of the United States operating under authority of the Farm Credit Act of 1971 as amended, are acceptable without rating.

(C) An ISLOC issued by a bank that does not meet the credit rating set forth in paragraph (A) at the time of issuance shall only be accepted with a confirming ISLOC issued by an Oregon state chartered bank or federally chartered bank with an Oregon branch office meeting the credit criteria of paragraph (A). The confirming ISLOC shall state that the confirming bank is primarily obligated to pay on demand the full amount of the ISLOC regardless of reimbursement from the bank whose ISLOC is being confirmed.

(D) The issuing bank must use the Irrevocable Standby Letter of Credit, Form 440-3640, issued by the director.

(E) The ISLOC will be automatically extended without amendment for an additional one (1) year from the expiry date, or any subsequent expiry date unless, at least 60 days before the expiry date, the director is notified in writing by registered mail or overnight delivery, that the bank has elected not to extend the ISLOC for another period.

(F) If the issuing bank or any confirming bank is closed at the time of expiry of the ISLOC for any reason that would prevent delivery of a demand notice during its normal hours of operation, the ISLOC will be automatically extended for a period of 30 days commencing on the next day of operation.

(G) The ISLOC can be called immediately if:

(i) The self-insured employer has defaulted in payment of its workers' compensation liabilities or obligations, or in payments due to the director under ORS 656;

(ii) The self-insured employer has filed for bankruptcy;

(iii) The self-insured employer has failed to renew or provide acceptable substitute security by fifteen (15) days prior to the expiry date of the ISLOC; or

(iv) The beneficiary has determined the existing security is deemed inadequate, that additional or replacement security must be provided by the self-insured employer, and that neither has been provided, notwithstanding written notice to the self-insured employer.

(H) The credit shall be available by presentation of the beneficiary's draft drawn at sight on the issuing bank, payable within three business days, when accompanied by one of the statements contained in 436-050-0165(2)(a)(G) signed by the Director of the Department of Consumer and Business Services, or the Administrator of the Workers' Compensation Division, or their designated authorized representative.

(I) The ISLOC is not subject to any qualifications or conditions by the issuing bank or confirming bank and is each bank's individual obligation, which is in no way contingent upon reimbursement.

(J) An ISLOC shall include a statement that the funds provided by the ISLOC are not construed to be an asset of the self-insurer and a statement that if legal proceedings are initiated by any party with respect to the payment of any ISLOC, it is agreed that such proceedings shall be subject to the jurisdiction of Oregon courts and Oregon Law.

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(K) Payment of any amount under an ISLOC shall be made only by wire transfer in the name of the "Department of Consumer and Business Services In Trust For [the legal name of the certified self-insured employer]" to a department account, with the State Treasurer, at a designated bank.

(L) An ISLOC shall be subject to the International Standby Practices 1998 (ISP98), ICC Publication No. 590, which is hereby incorporated by reference, and a reference to this publication shall be included in the text of the ISLOC. ICC Publication 590 may be obtained from the International Chamber of Commerce.

(M) All bank charges for the ISLOC are for the account of the applicant.

(N) Any amendment to the ISLOC must be approved and accepted by the director before the amendment is effective.

(O) If a bank's rating subsequent to the issuance of the ISLOC falls below the acceptable rating level as set forth in paragraph (A), the self-insured employer shall be required within 60 days of the publication of the lower credit rating to:

(i) Replace the ISLOC with a new ISLOC issued by an Oregon state chartered bank or with a federally chartered bank with an Oregon branch office with an acceptable credit rating;

(ii) Confirm the ISLOC by an Oregon state chartered bank or a federally chartered bank with an Oregon branch office that has an acceptable credit rating; or

(iii) Replace the ISLOC with a policy of insurance or a surety bond of equal amount that is approved by the director, as substitute security for the ISLOC, if the policy of insurance or surety bond covers all workers' compensation liabilities and obligations that would have been covered by the ISLOC.

(P) Each self-insured employer that submits an acceptable ISLOC as its security deposit, shall furnish a memorandum of understanding with the ISLOC, on the department's Form 440-3529, which affirms the self-insured employer's acceptance of all of the following requirements:

(i) An ISLOC is furnished to the director instead of a surety bond or other forms of security that may be determined to be acceptable for certification as a self-insured employer or for continuing as a certified self-insured employer;

(ii) The self-insured employer understands the ISLOC will be automatically extended without amendment for an additional one (1) year from the expiry date, or any subsequent expiry date, unless, at least 60 days before the expiry date the director is notified in writing by the bank that the irrevocable standby letter of credit will not be renewed;

(iii) The ISLOC may be replaced with an ISLOC or surety bond of equal amount or a policy of insurance that is accepted by the director as substitute security for the ISLOC, if the new ISLOC or surety bond or policy of insurance covers all workers' compensation liabilities and obligations that would have been covered by the ISLOC to be replaced;

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(iv) The self-insured employer shall affirm that the ISLOC, in the amount required, is being offered with the understanding that the ISLOC can be called immediately, at the director's discretion, if the director receives notice that the ISLOC will not be renewed; if the self-insured employer fails to pay its workers' compensation liabilities, obligations or payments due to the director under ORS 656; or the self-insured employer files bankruptcy; or the self-insured employer fails to renew or provide acceptable substitute security by fifteen (15) days prior to the expiry date of the ISLOC; or the director has determined the existing security is deemed inadequate, that additional or replacement security must be provided by the self-insured employer and that neither has been provided, notwithstanding written notice to the self-insured employer; and

(v) If legal proceedings are initiated by any party with respect to payment of any ISLOC, then it is agreed that the proceedings shall be subject to the jurisdiction of Oregon courts and application of Oregon Law(s).

(b) A surety bond may be accepted by the director as a security deposit or substitute security deposit for an ISLOC, government securities, monies, or time deposits. A surety bond may be accepted as all or part of the security deposit. The director, in each particular case, will determine if the surety bond submitted is acceptable, if the issuing Surety is acceptable, and if its language and format are acceptable.

(A) The surety bond must be issued by a Surety company authorized to transact surety business in Oregon;

(B) Surety Bond Form 440-824 shall be used for all surety bonds;

(C) Surety bonds submitted for the self-insured employer's security deposit shall be continuous in form;

(D) Surety bonds may be terminated by the surety company by giving the director and the Principal written notice stating that on a date not less than thirty days after the date the notice is received by the Director, such termination shall be effective. Such termination shall in no way limit the liability of the Surety for subsequent defaults of the Principal's liability and/or obligations incurred under ORS 656 prior to the effective date of such termination;

(E) Surety Bond Rider Form 440-1810 shall be used for all department required increases or authorized decreases in the penal sum of the surety bond. The surety bond rider is not effective until it is accepted by the department;

(F) Surety bonds and all riders to the surety bonds shall be executed by the surety company's attorney in fact and the attorney in fact's appointment and power of attorney must accompany all surety bonds and riders submitted. The power of attorney must authorize the attorney in fact to execute the surety bond in the amount of the penal sum of the bond;

(G) The liability of a surety company under its surety bond may only be discharged in the event that:

(i) The Principal files acceptable substitute security as the security deposit that is

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accepted by the Director as substitute security for the surety bond to be released, covering all past, present, existing and potential liability of the Principal under ORS 656 and covering all the Surety's liability under the surety bond to be released, in an amount required by the Director; and

(ii) The surety bond is released as documented in writing from the Director or the Administrator of the Workers' Compensation Division, or their designated authorized representative.

(iii) A policy of insurance or an ISLOC of equal amount that is acceptable by the Director, may be accepted as substitute security for the surety bond, if the policy of insurance or ISLOC covers all workers' compensation liabilities and obligations that would have been covered by the surety bond.

(H) The surety company or its parent shall have and maintain an acceptable credit rating in accordance with the following:

(i) Standard and Poors Insurer Financial Strength Rating of A or better rating, or

(ii) A.M. Best Company, Financial Strength Rating of B+ or better rating.

(I) A surety bond shall be replaced by the self-insured employer with an acceptable type of security deposit, within 30 days, after notice from the department that the Surety has been placed in conservatorship, or is seized, or declares insolvency, or the current credit rating is below the ratings required in subsection (H).

(c) Government securities, certificates of deposit, or time deposit accounts that were accepted by the director as a self-insured employer's or a self-insured employer group's required security deposit prior to January 1, 2004, may remain as the security deposit until the maturity date of those investments. At that time, the government securities, certificates of deposit or time deposit accounts pledged to the department as security deposits must be replaced by a surety bond or ISLOC acceptable to the director. A self-insured employer that has government securities, certificates of deposit, or time deposit accounts as all or part of its security deposit shall complete a "Security Agreement and Notice to Intermediary," Form 440-4023, granting the department a security interest in and control over those financial assets.

(d) Government securities, certificates of deposit, or time deposit accounts will not be accepted as security deposits for certified self-insured employers who must increase their security deposit, or for employers whose self-insurance certification is granted subsequent to January 1, 2004.

Stat. Auth: ORS 656.430, 656.704, and 656.726(4)

Stats. Implemented: ORS 656.430

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436-050-0170 Excess Insurance Requirements

(1) A self-insured employer must have excess workers' compensation insurance coverage appropriate for the employer's potential liability under ORS 656.001 to 656.990 with an insurer authorized to do business in the state [or with any other insurer from whom such insurance can be obtained

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pursuant to ORS 744.305 to 744.405]. The policy providing such coverage and any endorsements thereto must be filed with the director not later than 30 days after the date the coverage is effective.

(2) The excess insurance:

(a) Must include a provision for reimbursement to the director of all expenses paid by the director on behalf of the employer pursuant to ORS 656.614 and 656.443 in the same manner as if the director were the insured employer, subject to the policy limitations or amounts and limits of liability to the insured employer; and

(b) Coverage must be continuous and remain in effect from the date of certification until the certification is revoked or canceled[.]; **and**

(c) Coverage must be specific on a per occurrence basis; and

(d) Coverage may include aggregate excess insurance.

(3) When an excess insurance policy is canceled by the excess insurer or the employer, **a** copy of such notice shall be filed with the director 30 days prior to the effective date of cancellation.

(4) [The employer may obtain specific excess, aggregate, umbrella insurance or any combination thereof.]

[5] **Changes in [T]the self-insured retention level and policy [limitation amount]limits of the excess insurance require[d] prior approval of the director.** [may be increased from time to time by the director] **The director may require a reduction in the self-insured retention level or an increase in the policy limits.** Those items considered in determining and approving the retention and limitation levels of the excess insurance will be the employer's:

(a) Financial status[.];

(b) Risk and exposure; [and]

(c) Claim history[.]; **and**

(d) The amount of the required security deposit.

(6) A self-insured employer will be allowed a period, not to exceed 30 days, within which to comply with an order of the director to the employer to **reduce the self-insured retention level or** increase the policy limitation or amounts and limits of liability of the excess insurance.

(7) Excess insurance obtained under this section does not relieve any self-insured employer from full responsibility for claims processing and the payment of compensation required under ORS 656 and these rules. Regardless of the types and amounts of excess coverage a self-insured employer shall not transfer claims to the excess insurer(s) for processing.

(8) If a self-insured employer fails to comply with the requirements of this section, the employer's certification as a self-insured will be revoked. The employer will be given written notice of such revocation which will be effective 30 days from receipt of such notice. If the required excess insurance is obtained within the 30 days, the revocation is canceled and certification remains in effect.

Stat. Auth: ORS 656.430, 656.704, and 656.726(4)

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436-050-0175 Annual Reporting Requirements

(1) To determine the financial status of a self-insured employer and to evaluate the employer's continuity of operation, a self-insured employer shall annually file, within 120 days of the employer's fiscal year end, an audited financial statement or annual report with audited financial statement, including SEC Form 10K if issued, for the just completed fiscal year. All financial statements and annual financial reports filed, as required by this section, shall be retained by the director for a period of at least three years. In lieu of an audited financial statement or annual report, a self-insured employer may file a financial statement certified by the employer that the financial statement is true, accurate and presents the employer's financial condition and results of operations as of the date of the statement. [, if the employer also:]

[(a) Deposits and maintains the surety deposit in the form of a surety bond approved by the director; or]

[(b) Increases the surety deposit, in a form approved by the director, by \$100,000 over the amount as determined pursuant to OAR 436-050-0180.]

(2) [To ensure continuity of coverage, e] **Each self-insured employer shall submit an annual endorsement to their application for self-insurance in the form prescribed by the director. The endorsement shall be filed by March 1 of each year.**

(3) Notwithstanding [subsections] **section (1) [(a) and (b)] of this rule [or OAR 436-050-0160(5)], the director may require an employer to submit an audited financial statement if the certified financial statement submitted is insufficient to evaluate the employer's financial status.**

(4) The self-insured employer shall report claim loss data necessary by March 1 of each year for the purposes of experience rating modification, retrospective rating calculations and determining deposits.

(a) **The report must be certified to be true and accurate by an authorized representative of the self-insured employer, and must include:**

(A) A report of losses for each year in the experience rating period. The report must cover all claims incurred during the reporting period, and must be valued as of January 1 of the current year. Reports must include:

(i) Contract medical expenses;

(ii) Total medical deductible;

(iii) Number of claims for which the medical deductible is claimed;

(iv) For claims with incurred losses of \$5,000 or less: total paid, outstanding reserves, and total incurred losses;

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(v) Number of claims with incurred losses of \$5,000 or less; and

(vi) For each claim with incurred losses exceeding \$5,000: worker's name, date of injury, claim number, total paid, outstanding reserves, and total incurred losses. Claims must be listed in alphabetical order.

(B) A report of losses covering the self-insured period prior to the experience rating period. The report must list all open claims, and must be valued as of January 1 of the current year. The report must include:

(i) the worker's name, date of injury, claim number, total paid, outstanding reserves, and total incurred losses, listed in alphabetical order.

(C) Identification of claims involving catastrophes, Handicapped Worker Program, permanent total disability or fatal benefits, third party recoveries, and claims where the total incurred has or is expected to exceed the self-insured retention of the self-insured employer's excess insurance policy.

(b) The director will, by bulletin, [prescribe] **provide** guidelines for self-insured employers and their authorized representatives to use in [providing] **submitting** the required data.

[b](c) Each self-insured city or county that is exempted from the security deposit requirements in accordance with ORS 656.407(3) and OAR 436-050-0185 shall, in addition to the above, provide the procedures, methods, and criteria used in the process of determining the amount of their actuarially sound workers' compensation loss fund, including procedures for determining the amount for injuries incurred but not reported.

(5) If a self-insured employer fails to comply with the requirements of sections (1), (2), **(3)** or (4) of this rule, the director may impose any or all of the following sanctions:

(a) Require the self-insured employer to increase their deposit and premium assessments by 25%;

(b) Conduct an audit to obtain the necessary loss information at the self-insured employer's expense;

(c) Assess civil penalties for up to \$250 per day that the information is not provided beyond the deadline; or

(d) Revoke the employer's certification as a self-insured.

(6) To ensure each self-insured **employer's** claims are valued appropriately for use in deposit, experience rating, and retrospective rating calculations, the director will perform routine test audits. If a self-insured **employer's** total claims values are found to be 10 percent or more below the director's determined values, the current experience rating will be recalculated using the director's determined values and will be used in the security deposit and retrospective rating calculations. In addition, penalties may be assessed.

Stat. Auth: ORS 656.407, 656.430, 656.704, and 656.726(4)

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Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

436-050-0180 Determination of Amount of Self-Insured Employer's Deposit; Effective Date of Order to Increase Deposit

(1) The deposit a self-insured employer is required by ORS 656.407 to maintain with the director shall be an amount not less than the greater of:

(a) \$100,000; or

(b) Future claim liability, including **losses incurred but not reported (IBNR)**, a claims processing administrative cost [plus], **and** the anticipated assessments payable to the director for the employer's next fiscal year; or

(c) The annual incurred losses for the self-insured's last fiscal year, including **IBNR**, a claims processing administrative cost [plus], **and** anticipated assessments payable to the director for the employer's next fiscal year.

(2) Notwithstanding section (1) of this rule, if the employer is applying for self-insurance, the amount of the deposit shall not be less than the greater of:

(a) The anticipated assessments payable to the director for the employer's next fiscal year; plus an amount equal to 65 percent of the annual premium the employer would pay if carrier-insured using the applicable occupational base rate premium, as such rate is applied to the anticipated payroll of the employer's Oregon operations for the employer's next fiscal year; or

(b) \$300,000 plus \$30,000 additional for each \$100,000 the employer's net worth is below \$2 million[.]; or

(c) The amount of the approved self-insured retention level for the employer's excess workers' compensation insurance.

(3) In determining the amount of deposit the director [may also] **will** take into consideration:

(a) Financial ability of the employer to pay compensation and other payments due;

(b) Employer's probable continuity of operation;

(c) Retention and limitation levels of the employer's excess insurance **in relation to the employer's financial status**; and

(d) Balance of the Self-Insured Employers Adjustment Reserve.

(4) Assessments payable to the director referred to in this section include moneys and assessments due pursuant to ORS 656.506, 656.612, and 656.614.

(5) A self-insured employer will be allowed a period, not to exceed 30 days, within which to comply with an order of the director to the employer to increase the amount of its deposit.

(6) "Claims processing administrative cost" shall be determined by developing a percentage rate to be applied against the employer's "unpaid losses." The rate will be based upon the information contained in Schedule P, Part ID of the Annual Statement for the previous

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calendar year as reported to the Insurance Commissioner by SAIF Corporation and the 20 private insurers who had the highest earned premium reported for the preceding calendar year. The rate will be computed annually to be effective for the subsequent fiscal year. The rate will be 105 percent of the median of ratios determined as follows for each of these insurers:

- (a) "Loss Expenses Unpaid" for losses incurred in the latest eight years, divided by
- (b) "Losses Unpaid" for losses incurred in the latest eight years.

(7) "Incurred but not reported" (IBNR) shall be calculated by applying a loss development factor against the employer's annual incurred losses. The loss development factor will be calculated annually by the Director.

Stat. Auth: ORS 656.407, 656.704, and 656.726(4)

Stats. Implemented: ORS 656.407

Hist: Filed 4/12/76 as WCB Admin. Order 2-1976, eff. 4/12/76 (Temporary) as Rule 436-51-140
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Amended 12/22/83 as WCD Admin. Order 7-1983, eff. 12/27/83
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Amended 12/18/87 as WCD Admin. Order 9-1987, eff. 1/1/88
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

436-050-0185 Deposit Exemption for Self-Insured Cities and Counties, Qualifications, Application Procedures, Conditions and Requirements, Revocation and Requalification

(1) A self-insured city or county may make application to be exempt from the security deposit requirements of ORS 656.407(2). Pursuant to ORS 656.407(3), the requirements to qualify for exemption are as follows:

(a) The city or county must be a certified self-insured employer, not a member of a self-insured employer group, in compliance with ORS 656.407(2) and OAR 436-050-0180 as an independently self-insured employer for the three consecutive years immediately prior to making application for the exemption; and

(b) The city or county must have in effect a workers' compensation loss reserve account that is actuarially sound and that is adequately funded as determined by the annual audit under ORS 297.405 to 297.740 to pay all compensation to injured workers and amounts due the director pursuant to ORS Chapter 656. The workers' compensation loss reserve account shall also be dedicated to and expended only for payment of compensation and amounts due the director by the city or county under ORS Chapter 656.

(2) A written application requesting exemption from ORS 656.407(2) shall be submitted to the director no later than 45 days prior to the date the exemption is desired to become effective. The application shall include the following supporting documentation for review and approval:

(a) A copy of the city's or county's most recent annual audit as filed with the Secretary of State under ORS 297.405 to 297.740 that identifies the actuarially sound funded amount in the dedicated workers' compensation loss reserve if not previously filed as required by OAR 436-050-0175(1);

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(b) A copy of the city's or county's current fiscal year's approved budget that states the budgeted amount for the funded workers' compensation loss reserve account;

(c) A resolution or ordinance passed by the city's or county's governing body that establishes an actuarially sound and adequately funded workers' compensation loss reserve account that dedicates the workers' compensation loss reserve account to and limits expenditures to only the payment of compensation and amounts due the director under ORS Chapter 656. The resolution shall also include the director's first lien and priority rights to the full amount of the workers' compensation loss reserve account required to pay the present discounted value of all present and future claims under ORS Chapter 656; and

(d) A statement giving the amount of the current reserves for present and future liabilities, the amount funded in the workers' compensation loss reserve account, the procedures, methods, and criteria used in the process of determining the amount funded in their actuarially sound workers' compensation loss fund, including procedures for determining the amount for injuries incurred but not reported. The statement shall include the city's or county's certification that the loss reserve account is actuarially sound and adequately funded if an actuarial study is not available.

(3) Within 45 days of receipt of all information required in section (2) of this rule, the director will review the application and supporting documentation and notify the city or county that the request for exemption under ORS 656.407(3) is approved or denied.

(a) If denied, the notice will provide the reasons for the denial, any requirements for reconsideration and the right to administrative review as provided by OAR 436-050-0008.

(b) If approved, the notice shall include:

(A) The confirmation of the effective date of exemption;

(B) Authorization for cancellation of any surety bond **or ISLOC** held as security pursuant to ORS 656.407(2) and OAR 436-050-0180; and

(C) Procedures for release of any government securities or time deposits held as security pursuant to ORS 656.407(2) and OAR 436-050-0180.

(4) Probable cause to believe the workers' compensation loss reserve account is not actuarially sound includes but is not limited to: The annual audited financial statement under ORS 297.405 to 297.740 not containing a statement by the auditor that the workers' compensation loss reserve account is adequately funded, or containing a disclaimer regarding the auditor's qualifications or ability to determine adequacy of the loss reserve account.

(5) A city or county that has been exempted from ORS 656.407(2) and desires to terminate its self-insurance certification or elects to discontinue maintaining an actuarially sound and adequately funded workers' compensation loss reserve shall:

(a) Submit written request to the director at least 60 days prior to: the desired effective date the self-insured certification is requested to be terminated; or the effective date that the qualifying workers' compensation loss reserve account is to be discontinued;

(b) If the self-insured certification is to be terminated, the request for termination shall

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comply with the requirements of OAR 436-050-0200. Prior to the effective date of termination the city or county shall provide [surety] **a security deposit**, as required by the director, in an amount determined pursuant to OAR 436-050-0180 and ORS 656.443; and

(c) If the city or county desires to remain self-insured the city or county shall requalify for self-insurance certification by depositing prior to the date the qualifying workers' compensation loss reserve account is to be discontinued, [such surety] **a security deposit** as required by the director pursuant to ORS 656.407(2) and OAR 436-050-0180. Pursuant to ORS 656.407(3)(e) failure to deposit the required [surety] **security deposit** with the director prior to the date of discontinuance of the qualifying workers' compensation loss reserve account shall cause the city's or county's self-insurance certification to be automatically revoked as of that date.

Stat. Auth: ORS 656.407, 656.704, and 656.726(4)

Stats. Implemented: ORS 656.407

Hist: Filed 10/4/91 as WCD Admin. Order 8-1991, eff. 10/7/91 (Temporary)
Amended 01/10/92 as WCD Admin. Order 2-1992 eff. 2/1/92
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

436-050-0190 Using Self-Insured Employers [Surety] Security Deposit/Self-Insured Employers Adjustment Reserve/Self-Insured Employer Group Adjustment Reserve

(1) In the event a self-insured employer fails to or is unable to make all payments due under ORS Chapter 656, the director shall, on behalf of the employer, assure continued payments in accordance with ORS 656.407, 656.443 and 656.614 and in such a manner as to ensure minimum delay in the processing of injured workers' claims.

(2) If a self-insured employer defaults and is being serviced by one or more service companies, the director will, on behalf of the employer, designate those service companies to continue processing claims in accordance with the contracts in effect. At least 90 days prior to the time the contract expires, the service company can submit a proposal to continue processing the claims. The director will consider such proposal along with other options which may include referral of the claims for processing to an Assigned Claims Agent as secured under ORS 656.054.

(3) If a self-insured employer defaults and is self-administering, the director shall, on behalf of the employer, negotiate to have the employer's claims processed or may refer the claims for processing to an Assigned Claims Agent as secured under ORS 656.054.

(4) For the purposes of this rule:

(a) "Employer" includes employer groups.

(b) "Self-insured employer" includes self-insured employer groups.

Stat. Auth: ORS 656.407, 656.704, and 656.726(4)

Stats. Implemented: ORS 656.407, 656.443, and 656.614

Hist: Filed 2/10/82 as WCD Admin. Order 4-1982, eff. 2/15/82
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Amended 12/12/85 as WCD Admin. Order 9-1985 eff. 1/1/86
Amended 12/18/87 as WCD Admin. Order 9-1987 eff. 1/1/88
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

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436-050-0195 [Notification Required when] **Requirements for Self-Insured Entity Changes**

(1) If there is any change in the legal entity, changes in addresses, telephone numbers, and points of contact, or ownership changes, a self-insured employer shall notify the director **in writing** within 30 days after the change occurs.

(2) A self-insured employer shall submit requests to add or delete entities under its self-insured certification in the form and format, or manner, as prescribed by the director, and signed by an officer of the company. **Each entity to be approved for inclusion in a self-insured employer's certification must enter into an agreement, signed by an officer of the entity being included in the self-insured employer's certification, making the entity jointly and severally liable for the payment of any compensation and moneys due to the director by the certified self-insured employer and/or any other entity included in the self-insured employer's certification.**

(3) The director will determine, based on the information provided, the effect of the change on the deposit required and whether the entities can be combined for experience rating purposes.

(4) Failure to provide notification as required by this section may result in assessment of penalties and/or self-insurance certification revocation.

Stat. Auth: ORS 656.407, ORS 656.430, ORS 656.704 and ORS 656.726(3)

Stats. Implemented: ORS 656.407 and ORS 656.430

Hist: Filed 12/22/89 as WCD Admin. Order 5-1989, eff. 1/1/90

Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01

Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

436-050-0200 Self-Insured Certification Cancellation; Revocation

(1) A certification to a self-insurer issued by the director remains in effect until:

(a) Revoked as provided by OAR 436-050-0150 through 436-050-0230 and ORS 656.440; or

(b) Canceled by the employer with the approval of the director.

(2) If a self-insured employer wishes to cancel certification as a self-insured, the employer shall make written request to the director. Such a request shall be submitted 60 days prior to the desired date of cancellation and include:

(a) What arrangements have been made to comply with ORS 656.017 if the employer continues to have one or more subject workers;

(b) What arrangements have been made to process present and future claims for which the employer is responsible;

(c) A statement of all present and future claims liabilities for all liabilities incurred during the period of self-insurance; and

(d) Any reports and/or moneys due the director pursuant to ORS 656.506, 656.612, and 656.614.

(3) The certification of a self-insured employer may be revoked if:

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(a) The employer fails to comply with ORS 656.407 or 656.430 and the rules adopted pursuant thereto; or

(b) The employer commits any violation for which a civil penalty could be assessed under ORS 656.745.

(4) Except as provided in OAR 436-050-0170 (8), notice of certificate revocation will be issued in accordance with the provision of ORS 656.440.

Stat. Auth: ORS 656.704 and 656.726(4)

Stats. Implemented: ORS 656.434 and 656.440

Hist: Filed 4/2/80 as WCD Admin. Order 3-1980, eff. 4/2/80
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Amended 12/12/85 as WCD Admin. Order 9-1985 eff. 1/1/86
Amended 12/18/87 as WCD Admin. Order 9-1987 eff. 1/1/88
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01

436-050-0205 Notice of Self-Insurer's Personal Elections

When a person makes an election under ORS 656.039, 656.128 or 656.140, the self-insured shall notify the director in written form of the election and of any cancellation of the election within 30 days of the effective date.

Stat. Auth: ORS 656.704 and 656.726(4)

Stats. Implemented: ORS 656.039, 656.128 and 656.140

Hist: Filed 12/22/89 as WCD Admin. Order 5-1989, eff. 1/1/90
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01

436-050-0210 Notice of Self-Insurer's Place of Business in State; Records Self-Insured Must Keep in Oregon

(1) Every employer certified as a self-insured employer shall give the director notice of location, mailing address, telephone number, and any other contact information of at least one location in this state where claims will be processed and claim records kept as well as other records as required by this rule and OAR 436-050-0220. The employer shall give notice of the location, mailing address, telephone number, and any other contact information upon application for certification.

(2) With the approval of the director, a self-insured employer may use one or more service companies as authorized by ORS 656.455 instead of establishing its own place of business in this state. To obtain approval or to change or add service locations, the employer shall file with the director a copy of the agreement entered into between the employer and each company, and shall give the director notice of the location, mailing address, telephone number, and any other contact information of each service company.

(3) **If a self insured employer or service company for a self insured employer changes** [if]its place of business[, or that of a service company, is changed.], the **self insured** employer shall notify the director of the new location, mailing address, telephone number, and any other contact information 30 days prior to the effective date of the change.

[(4) When a self-insured employer changes service companies, changes from self-administration to a service company or from a service company to self-administration, the employer shall notify the director of which claims, if any, will be transferred at least 10 days prior to the date of transfer. Notice to the director shall include:] **At least 10 days prior to changing claims processing**

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locations, service companies, or self-administration, the employer must notify:

(a) Workers with open or active claims, their attorneys, and primary care physicians. The notice must provide contact information including a contact person, telephone number, mailing address, and physical address where a worker's claim is to be processed;

(b) The director of which claims will be transferred. The notice must include:

[a](A) Contact information for both the sending processor and receiving processor of the claims to include a contact person, telephone number, mailing address, and physical address where the claims are to be processed; and

[b](B) A listing of the claims being transferred which identifies the sending processor's claim number, claimant name, claimant's social security number, and date of injury. The list should also include the employer's WCD number and WCD's claim number, if known.

(5) Written records every self-insured employer is required to keep in this state include, but are not limited to, the records described by OAR 436-050-0220.

(6) Notwithstanding section (1) of this rule, the director may approve up to two additional claims processing locations, if the self-insured employer can show:

(a) That meeting the requirements of section (1) of this rule will impose a financial or operational hardship on the employer;

(b) That such additional locations will result in improved claims processing performance of the employer; and

(c) That the auditing functions of the director can be met without unnecessary expense to the director.

(7) If, upon review of a self-insured employer's claims processing performance, the performance has not remained at the levels as described in OAR 436-060, approval for additional locations provided in section (6) shall be withdrawn.

(8) Notwithstanding section (1) of this rule, a self-insured employer may, with the prior approval of the director, make compensation payments from a single location other than the designated claims processing location. Approval of such a location may be revoked if at any time:

(a) Timeliness of compensation payment falls below the minimum standards as established in OAR 436-060;

(b) Written record of compensation payments is not available; or

(c) There is not sufficient written documentation to support the issuance of a check for compensation.

(9) Notwithstanding section (1) of this rule, a self-insured employer may, with prior approval of the director, have one additional location, in or out of state for maintaining payroll records pertaining to premium assessments and assessment/contributions.

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Stat. Auth: ORS 656.455, 656.704 and 656.726(4)

Stats. Implemented: ORS 656.455

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Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

436-050-0220 Records Self-Insured Employer Must Keep in Oregon; Period to be Retained, Removal and Disposition

(1) The written records self-insured employers are required to keep in this state to ensure compliance with ORS 656.506, 656.612, 656.614, and 656.622 include:

(a) A record of payroll by National Council on Compensation Insurance classification; and

(b) Complete records of all assessments, employer and employee contributions, and all such money due the director.

(2) The self-insured employer must maintain at a place of business in this state, those written records relating to their safety and health program as required by ORS 656.430(10) and in accordance with OAR 437-001.

(3) The records of claims for compensation that each self-insured employer is required to keep in this state include, but are not limited to:

(a) Written records used and relied upon in processing claims; and

(b) A written record of all payments made as a result of any claim **including documentation of the date the payment was mailed. Documentation may be the actual mailing date, or an explanation of the time period between the date of issuance and mailing.**

(4) Records of a denied claim may be removed from this state after all the appellate procedures have been exhausted and the denial has been affirmed by operation of law.

(5) Records of any claim for a compensable injury may be removed from this state after the expiration of the aggravation rights or not less than one year following the final payment of compensation, whichever is the last to occur.

(6) Notwithstanding sections (4) and (5) of this rule, if administrative or judicial review is requested, the claim records may not be removed from this state or disposed of until after either the review is concluded and the time for an appeal from such review has expired or at least one year after final payment of compensation has been made, whichever is the last to occur.

(7) During administrative or judicial review, if a denied claim is found to be compensable the records of such claim are thereafter subject to section (5) of this rule.

(8) Claim records may be destroyed when all potential for benefits to the injured worker is gone.

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(9) Records retained as required by section (1) of this rule may be removed from the state or destroyed at the end of three full calendar years after the calendar year in which the money was remitted.

Stat. Auth: ORS 656.455, 656.704 and 656.726(4)

Stats. Implemented: ORS 656.455

Hist: Filed 4/2/80 as WCD Admin. Order 3-1980 eff. 4/2/80
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Amended 12/12/85 as WCD Admin. Order 9-1985, eff. 1/1/86
Amended 12/18/87 as WCD Admin. Order 9-1987, eff. 1/1/88
Amended 12/22/89 as WCD Admin. Order 5-1989, eff. 1/1/90
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

436-050-0230 Out-of-State Recordkeeping and Claims Processing by Self-Insured Employer; Conditions and Procedure for Permit; Revocation

(1) Notwithstanding OAR 436-050-0220, if a self-insured employer wishes to keep the claims records and process claims at a location outside this state, the employer may apply to the director for permission to do so. The application shall contain the reasons for the request and the location, mailing address, telephone number, and any other contact information where the records will be kept and the claims processed. Upon receipt, the director will review the application and notify the employer that the request has been denied and the reason therefor; or, that the employer will be allowed to process claims from outside this state.

(2) The director may grant permission to the self-insured employer unless the employer has committed acts or engaged in a course of conduct that would be grounds for revocation of permission or that are contrary to any of the provisions of section (3) of this rule.

(3) A self-insured employer that keeps claims records and processes claims at a location outside this state shall:

- (a) Process claims in an accurate and timely manner;
- (b) Make reports to the director promptly as required by ORS Chapter 656 and the director's administrative rules;
- (c) Pay to the director promptly all assessments and other money as it becomes due;
- (d) Increase or decrease its security deposit promptly when directed to do so by the director pursuant to ORS 656.407(2); and
- (e) Comply with the rules and orders of the director in processing and paying claims for compensation.

(4) After notice given as required by ORS 656.455(2), permission granted under this section will be revoked by the director if the employer has committed acts or engaged in a course of conduct that are in violation of any provisions of section (3) of this rule.

(5) A self-insured employer shall provide written records which have been removed from this state to the director as requested within a reasonable time not to exceed 14 days or as otherwise negotiated.

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Stat. Auth: ORS 656.455, 656.704 and 656.726(4)

Stats. Implemented: ORS 656.455

Hist: Filed 12/19/75 as WCD Admin. Order 18-1975, eff. 1/1/76 as Rule 436-51-220
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Amended 12/18/87 as WCD Admin. Order 9-1987 eff. 1/1/88
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01

436-050-0260 Qualifications of a Self-Insured Employer Group

Five or more employers may qualify as a self-insured employer group if the employers as a group:

(1) Incorporate or are a cooperative pursuant to ORS Chapter 60, 62, or 65. If the group is a governmental subdivision, it must have formed a governmental entity as provided under ORS 190.003 to 190.110;

(2) Designate a board of trustees and an administrator;

(3) Demonstrate a combined net worth of \$1 million or more and have excess insurance with a retention of \$100,000 **or more**; or the combined net worth of the employers as a group may be less than \$1 million if the employers as a group obtain excess insurance with less than a \$100,000 retention, in which case the net worth required may be reduced by the same percentage the retention is reduced below \$100,000;

(4) Obtain excess insurance coverage of the type and amounts approved by the director;

(5) Demonstrate that accident prevention is likely to improve through self-insurance;

(6) Engage an adequate staff pursuant to OAR 436-055-0070 qualified to process claims;

(7) Develop a method approved by the director to notify the director of:

(a) The commencement or termination of membership by employers in the group, and the effect thereof on the net worth of the employers in the group; and

(b) Whether an employer who terminates membership in the group continues to be a subject employer; and if the employer remains a subject employer what arrangements have been made to continue coverage;

(8) Establish a safety and health loss prevention program as required by OAR 437-001;

(9) Create a common claims fund approved by the director;

(10) Designate an entity within or for the group responsible for centralized claims processing, payroll records, safety requirements, recording and submitting assessments and contributions and making such other reports as the director may require. With the approval of the director, a self-insured employer group may use service companies as authorized by ORS 656.455 instead of establishing its own place of business in this state. To obtain approval or to change or add service locations, the employer group shall file with the director a copy of the agreement entered into between the employer group and each company, and shall give the director notice of the location, mailing address, telephone number, and any other contact

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information of each service company;

(11) Establish proof of financial ability by [depositing, in a depository designated by the director, money, government securities or other surety] **providing a security deposit that** the director [may] determines **is acceptable[.] in accordance with OAR 436-050-0165;** [The account of deposit will be] **and in an amount as** determined in accordance with OAR 436-050-0180; **and**

(12) Comply with the requirements of OAR **436-050-0165, 436-050-0170, 436-050-0175, 436-050-0180, 436-050-195, 436-050-0200, 436-050-0205, 436-050-0210 and 436-050-0220**[; and]. **Failure to comply with these requirements will result in the actions prescribed in those rules.**

(13) Every self-insured employer group shall maintain at least one place of business in this state where the employer processes claims, keeps written records of claims and other records as required by OAR 436-050-0210 to 436-050-0220.

(14) Failure of a certified self-insured employer group to maintain the qualifications required in this rule shall result in revocation of the self-insured employer group's certification. The group will be given 30 days written notice of the intent to revoke the self-insured certification, to be effective 30 days from the date of receipt of the revocation notice. If the self-insured employer group complies with the qualification requirements within the 30-day period, the revocation will be canceled and the certification will remain in effect.

Stat. Auth: ORS 656.407, 656.430, 656.704 and 656.726(4)

Stats. Implemented: ORS 656.407 and 656.430

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436-050-0270 Applying for Certification as a Self-Insured Employer Group: Private Employers

(1) Employers applying for certification as a self-insured employer group must submit:

(a) An application for the group applying for self-insurance in a form and format prescribed by the director;

(b) Proof in the form of a certificate from the Corporation Division showing the employer group as a corporation or cooperative;

(c) A copy of the bylaws or corporate minutes which include:

(A) Designation of specific individuals as trustees for the corporation or cooperative and naming an administrator to administer the financial affairs of the group who, as obligee, shall furnish a fidelity bond with the group in an amount sufficient to protect the group against the misappropriation or misuse of any moneys or securities; and

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(B) The criteria utilized by the trustees and administrator when approving applications for new membership and requests for withdrawal by members of the group;

(d) A current financial statement of each member making application which taken collectively shows the following:

(A) The combined net worth of all members making application for coverage shall not be less than \$1 million unless the employers as a group have obtained excess insurance coverage with less than a \$100,000 retention in which case the net worth will be reduced by the same percentage the retention is reduced below \$100,000; and

(B) Working capital in an amount establishing financial strength and liquidity of the business;

(e) An individual report by employer showing the employer's payroll by class and description and loss information for the last four calendar years;

(f) With the exception of governmental subdivisions, an agreement jointly and severally binding each member for the payment of any compensation and moneys due to the director by the group and/or any member of the group. The agreement shall be in a form and format prescribed by the Director;

(g) Evidence of a safety and health loss prevention program designed to demonstrate that accident prevention will improve due to self-insurance;

(h) Proof of an adequate staff qualified to process claims by:

(A) Employing and retaining at each claims processing location, at least one person that is actually involved in the claims processing function and is qualified in accordance with OAR 436-055-0070; or

(B) Contracting the services of one or more service companies that employ, at each claims processing location, at least one person that is qualified in accordance with OAR 436-055-0070 and is actually involved in the self-insured employer's claims processing. If one or more service companies are used, a service agreement between the employer group and each service company, that meets the requirements of OAR 436-050-0260(10), must be submitted for approval of the director;

(i) The type, retention and limitation levels of excess insurance the employers as a group are planning to obtain in accordance with OAR 436-050-0170;

(j) A procedure for notifying the director of:

(A) The commencement or termination of employers within the group and the effect on the net worth of the group; and

(B) Arrangements made by an employer leaving the group to continue insurance coverage.

(k) A program whereby each employer within the group contributes to a common claims fund in accordance with OAR 436-050-0300; and

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(L) The type of [surety] **security** deposit the employer group wishes to provide, with appropriate justification.

(2) Notwithstanding subsection (1)(d) of this rule, the director may require an audited financial statement before considering an application by a group for self-insurance.

(3) Within 60 days of receipt of all information required in section (1) of this rule, the director will review the application and notify the employer group that the request for certification as a self-insured employer group is denied and the reason therefore; or, that the group is qualified as a self-insured employer group. The notice shall include:

(a) The amount of [surety] **security** deposit required;

(b) Approval of the type, retention and limitation levels of the excess insurance as determined pursuant to OAR 436-050-0170; and

(c) The type, retention and limitation levels of excess insurance required.

(4) The certification of self-insurance will be issued upon receipt of the [surety] **security** deposit[,] **and** the appropriate excess insurance binder [and modification to the occupational safety and health loss control program].

(5) Unless a **later** date is specified by the applicant, the effective date of certification will be the first day of the [calendar quarter] **month** following the date the requirements of section (4) of this rule are met.

Stat. Auth: ORS 656.407, 656.430, 656.704 and 656.726(4)

Stats. Implemented: ORS 656.407 and 656.430

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Amended 11/29/90 as WCD Admin. Order 27-1990, eff. 12/26/90
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**436-050-0280 Applying for Certification as a Self-Insured Employer Group:
Governmental Subdivisions**

(1) Governmental subdivisions applying for certification as a self-insured employer group must submit:

(a) An application for the group applying for self-insurance in a form and format prescribed by the director;

(b) Proof that the governmental subdivisions have formed an intergovernmental entity as provided under ORS 190.003 to 190.110;

(c) An intergovernmental agreement which includes:

(A) Designation of specific individuals as trustees for the group and naming an administrator to administer the financial affairs of the group who, as obligee, shall furnish a fidelity bond with the group in an amount sufficient to protect the group against the

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misappropriation or misuse of any moneys or securities; and

(B) The criteria to be used by the trustees and administrator when approving applications for new membership and requests for withdrawal by members of the group;

(d) A current financial statement of each member making application which taken collectively shows the combined net worth of all members making application for coverage shall not be less than \$1 million unless the employers as a group have obtained aggregate excess insurance coverage with less than a \$100,000 retention in which case the net worth will be reduced by the same percentage the retention is reduced below \$100,000;

(e) An individual report by employer showing the governmental subdivision's payroll by class and description and loss information for the last four calendar years;

(f) A resolution by the governing body of each governmental subdivision binding it to be liable for the payment of any compensation and other amounts due to the director under ORS Chapter 656 incurred by that governmental subdivision during the period of group self-insurance;

(g) Evidence of a safety and health loss prevention program designed to demonstrate that accident prevention will improve due to self-insurance;

(h) Proof of an adequate staff qualified to process claims by:

(A) Employing and retaining at each claims processing location, at least one person that is actually involved in the claims processing function and is qualified in accordance with OAR 436-055-0070; or

(B) Contracting the services of one or more service companies that employ, at each claims processing location, at least one person that is actually involved in the self-insured group's claims processing, that is certified in accordance with OAR 436-055-0070. If service companies are used, a service agreement between the group and each service company, that meets the requirements of OAR 436-050-0260(10), must be submitted;

(i) The type, retention and limitation levels of excess insurance the employers as a group are planning to obtain in accordance with OAR 436-050-0170;

(j) A procedure for notifying the director of:

(A) The commencement or termination of governmental subdivisions within the group and the effect on the net worth of the group; and

(B) Arrangements made by a governmental subdivision leaving the group to continue insurance coverage;

(k) A program whereby each employer within the group contributes to a common claims fund in accordance with OAR 436-050-0300; and

(L) The type and amount of [surety]security deposit the group wishes to provide, with appropriate justification. In no case shall the amount be less than \$300,000.

(2) Notwithstanding subsection (1)(d) of this rule, the director may require an audited or

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certified financial statement before considering an application by a group for self-insurance.

(3) Within 60 days of receipt of all information required in section (1) of this rule, the director will review the application and notify the group that the request for certification as a self-insured employer group is denied and the reason therefore; or, that the group is qualified as a self-insured employer group. The notice shall include:

(a) The amount of [surety]**the security** deposit required; and

(b) Approval of the type, retention and limitation levels of the excess insurance as determined pursuant to OAR 436-050-0170; and the type, retention and limitation levels of excess insurance required.

(4) The certification of self-insurance will be issued upon receipt of the [surety]**security** deposit, the appropriate excess insurance binder and if applicable, a service agreement between the employer and service company that has been signed by both parties.

(5) Unless a subsequent date is specified by the applicant, the effective date of certification will be the date the certification is issued.

Stat. Auth: ORS 656.407, 656.430, 656.704 and 656.726(4)

Stats. Implemented: ORS 656.407 and 656.430

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Amended 11/29/90 as WCD Admin. Order 27-1990, eff. 12/26/90
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

436-050-0290 Commencement/Termination of Employers with a Self-Insured Employer Group; Effect on Net Worth; Extension of Coverage; Change in Entity; Change of Address; Recordkeeping

(1) Prospective new members of a self-insured employer group shall submit an application to the board of trustees, or its administrator. The trustees, or administrator, may approve the application for membership pursuant to the bylaws of the self-insured group. Once approved, the administrator or board of trustees shall submit to the director an endorsement, within 30 days of the effective date of membership, in a form and format as approved by the director which shall be accompanied by:

(a) A current financial statement of the employer applying;

(b) An agreement signed by the administrator of the self-insured group and the employer, making the employer jointly and severally liable for the payment of any compensation and moneys due to the director by the group and/or any member of the group; or, if a governmental subdivision self-insured group, a resolution by the governing body of each governmental subdivision binding it to be liable for the payment of any compensation and other amounts due to the director under ORS Chapter 656 incurred by that governmental subdivision during the period of group self-insurance;

(c) A statement showing the effect on the new worth of the group; and

(d) The employer's payroll by class and description and loss information for the last four

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fiscal or calendar years.

(2) Incomplete submissions or incorrectly completed endorsements to add new members received by the director will not be considered filed. Failure to file a correct and complete endorsement with the required supporting documentation within 30 days of the effective date of membership may result in the assessment of civil penalties.

(3) Individual members may elect to terminate their participation in a self-insured group or be subject to cancellation by the group pursuant to the bylaws of the group. Such cancellation or termination shall not be effective prior to approval by the director and only after the self-insured group has submitted the following information for review:

(a) A statement showing the effect of said termination on the net worth of the group;

(b) Evidence that the employer requesting termination has made alternate arrangements for coverage if the employer continues to employ; and

(c) The requested date of cancellation or termination.

(4) Upon receipt of the required information, the director may approve the cancellation or termination of the employer provided:

(a) Such cancellation or termination does not adversely affect the net worth of the group to the extent that the group would no longer qualify for a self-insured status; and

(b) Sufficient evidence has been presented to insure that the employer, if employing, retains workers' compensation coverage.

(5) Once approved, the group will be notified in writing of the effective date of cancellation or termination.

(6) An employer within a group shall, if there is a change in the employing legal entity, again apply for membership within the group, in accordance with this rule. A change in legal entity includes, but is not limited to:

(a) When a partner joins or leaves the partnership;

(b) When the employer is a sole proprietorship, partnership or corporation, and changes to a sole proprietorship, partnership or corporation; or

(c) When an employer sells an existing business to another person(s), except in the case of a corporation.

(7) An employer within a group shall, within 10 days after there is a change of address or assumed business name, notify the board of trustees, or administrator, of the change. The administrator or board of trustees shall, within 10 days, submit to the director an endorsement as notice of the change. A change of address includes, but is not limited to:

(a) Establishment of a new or additional location; or

(b) Termination of an existing location.

(8) The endorsement required by section (7) of this rule shall state specifically which

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location is being deleted and/or which is being added. It shall also identify the type of address, whether it is mailing, operating, or the principal place of business.

(9) The employer group [will be] **is** responsible for maintaining **coverage records relating to each member, to include:**

(a) The employer's application for membership in the group, with original signatures;

(b) The employer's liability agreement pursuant to OAR 436-050-0270 (1) (f), or resolution pursuant to OAR 436-050-0280 (1) (f), with original signatures;

(c) Cancellation or termination notices;

(d) Reinstatement applications and notices; and

(e) R[ecords] on the whereabouts of employers that have been canceled or have terminated their participation in the group.

Stat. Auth: ORS 656.704 and 656.726(4)

Stats. Implemented: ORS 656.434 and 656.440

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Amended 12/22/89 as WCD Admin. Order 5-1989, eff. 1/1/90
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended XX/XX/XX as WCD Admin. Order XX-XXX, eff. XX/XX/XX

436-050-0300 Self-Insured Employer Group, Common Claims Fund

(1) A self-insured employer group shall establish under the direction and control of the board of trustees and administrator, a common claims fund for the sole purpose of ensuring the availability of funds to make certain the prompt payments of all compensation and all other payments that may become due from such self-insured employer group under the workers' compensation law.

(2) Except as provided in section (5) of this rule, the balance of the common claims fund shall be maintained in an amount at least equal to 30 percent of the average of the group's paid losses for the previous four years.

(3) The self-insured group may, from time to time, be required by the director to increase the amount maintained in the common claims fund.

(4) By March 1 of each year, a self-insured employer group shall provide the director with adequate documentation to validate the balance in the common claims fund.

(5) For governmental subdivisions certified as a self-insured employer group, the balance of the common claims fund shall be maintained in an amount at least equal to 60 percent of the average of the group's yearly paid losses for the previous four years.

Stat. Auth: ORS 656.704 and 656.726(4)

Stats. Implemented:

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436-050-0340 Group Self-Insurance Revocation

Notwithstanding ORS 656.440, the certification of a self-insured employer group may be revoked by the director after giving 30 days notice if:

- (1) The employer group fails to comply with ORS 656.430(7) or (8), or the requirements contained in OAR 436-050-0260, 0270, 0280, 0290, or 0300;
- (2) The employers within a group number less than five;
- (3) The net worth of the group falls below that required by OAR 436-050-0260(3);
- (4) The employer group commits any violation for which a civil penalty could be assessed under ORS 656.745; or
- (5) Any false or misleading information is submitted by the employer group or any member of the group.

Stat. Auth: ORS 656.704 and 656.726(4)

Stats. Implemented: ORS 656.434 and 656.440

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Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/01/01

436-050-0400 Responsibility for Providing Coverage under a Lease Arrangement

(1) Every worker-leasing company providing workers to a client shall satisfy the requirements of ORS 656.017 and 656.407.

(2) Every worker-leasing company providing leased workers to a client shall also provide workers' compensation insurance coverage for any subject workers of the client, unless the client has an active guaranty contract on file with the director or is certified under ORS 656.430 as a self-insured employer. In the latter circumstance, the client's guaranty contract insurer or self-insured employer will be deemed to provide insurance coverage for all leased workers and subject workers of the client.

(3) If an insured client allows its guaranty contract to terminate or if a self-insured client, allows its certification to terminate and the client continues to employ subject workers or has leased workers, the client shall be considered a noncomplying employer unless the worker leasing company has made the filing with the director as provided in OAR 436-050-0410(1).

(4) A client can obtain leased workers from only one worker-leasing company at a time unless the client has an active guaranty contract on file with the director or is certified under ORS 656.430 as a self-insured employer.

(5) A worker leasing company shall not provide workers' compensation coverage for another worker leasing company.

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Stat Auth: ORS 656.704, 656.726(4), 656.850 and 656.855

Stats. Implemented: ORS 656.850 and 656.855

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436-050-0410 Notice to Director of Lease Arrangement; Termination

(1) Within 14 days after the effective date of the lease arrangement or contract, a worker-leasing company must file written notice with the director and its insurer, using Form 440-2465, that it is providing leased workers to a client and workers' compensation coverage. The notice must be correct and complete, and must include:

(a) The client's:

(A) Legal name;

(B) FEIN or other tax reporting number;

(C) Type of ownership;

(D) Primary nature of business;

(E) Mailing address; and

(F) Street address in Oregon;

(b) The worker leasing company's:

(A) Legal name;

(B) Mailing address;

(C) FEIN or other tax reporting number;

(D) WCD worker leasing license number, if any;

(E) Workers' compensation insurer's name (or "self-insured");

(F) Effective date of leasing contract;

(G) Contact name and phone number; and

(H) A signature of a representative of the worker leasing company.

(2) A worker-leasing company may terminate its obligation to provide workers' compensation coverage by giving to its insurer, its client, and the director written notice of the termination. A notice of termination shall state the effective date and hour of termination, but the termination will be effective not less than 30 days after the notice is received by the director. Notice to the client under this section must be given by mail, addressed to the client at its last-known address.

Stat Auth: ORS 656.704, 656.726(4), 656.850 and 656.855

Stats. Implemented: ORS 656.850 and 656.855

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436-050-0420 Temporary Worker Distinguished from Leased Worker

(1) A person who provides a worker to work for a client will be considered to be providing the worker on a "temporary basis" only if there is contemporaneous written documentation, retained by either the client or the temporary service provider, which indicates the duration of the work to be performed and the worker is provided pursuant to ORS 656.850(1)(b), under one or more of the following conditions:

(a) Special situations to cover employee absences or employee leaves, including but not limited to such things as maternity leave, vacation, jury duty, or illness from which the permanent worker will return to work;

(b) To fill a professional skill shortage;

(c) To staff a seasonal workload;

(d) To staff a special assignment or project where the worker will be terminated or assigned to another temporary project upon completion;

(e) A student worker provided and paid by a school district or community college through a work experience program; or

(f) The work contract is part of the client's overall employment selection program, such as where new workers must satisfactorily pass a probationary period before being granted permanent employee status.

(2) If a person provides workers, by contract and for a fee, to work for a client and any such workers are not provided on a "temporary basis," that person will be considered a worker-leasing company.

(3) If a person provides both leased workers and workers on a temporary basis, that person shall maintain payroll records that show specifically which workers are provided on a temporary basis. If the payroll records do not specify which workers are provided on a temporary basis, all workers are deemed to be leased workers.

Stat Auth: ORS 656.704, 656.726(4), 656.850 and 656.855

Stats. Implemented: ORS 656.850 and 656.855

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436-050-0440 Qualifications, Applications, and Renewals for License as a Worker-Leasing Company

(1) Each applicant for initial license or renewal as a worker-leasing company shall:

(a) Be either an Oregon corporation or other legal entity registered with the Oregon Secretary of State, Corporations Division to conduct business in this state;

(b) Maintain workers' compensation coverage pursuant to ORS 656.017; and

(c) Pay the required licensing fee of \$1,250.

(2) Each applicant for initial license or renewal as a worker-leasing company must submit an application for license on Form 440-2466. The form and accompanying documentation must

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include:

- (a) Legal name;
- (b) Mailing address;
- (c) In-state and out-of-state phone numbers;
- (d) FEIN or other tax reporting number;
- (e) Type of business;
- (f) Physical address for Oregon principal place of business;
- (g) Assumed business names;
- (h) Name of workers' compensation insurer (or "self-insured") and policy number;
- (i) WCD employer number, if any;
- (j) Names and titles of authorized representatives, including the Oregon representative;
- (k) List of controlling persons holding or controlling 10 percent or more interest in the company, including their names, titles, residence addresses, and dates of birth;
- (l) A record of any present or prior worker leasing company services provided in any state and an explanation of those services;
- (m) A letter of verification or good-standing from the controlling regulatory agency of those states in which a worker leasing license or certification is currently held;
- (n) Verification of compliance with tax laws from Oregon Employment Division, Oregon Department of Revenue, and the Internal Revenue Service, using Attachments A, B, and C of Form 440-2466, the worker leasing license application;
- (o) A record of any actions in which an essential element of the action involved fraud, theft, or embezzlement of monies on the part of the applicant or any controlling person; such actions may include:
 - (A) Criminal convictions;
 - (B) Lawsuits;
 - (C) Guilty pleas;
 - (D) Judgments; or
 - (E) Administrative actions;
- (p) Full details regarding any action taken under subsection (o) of this section, including:
 - (A) The nature and dates of the action(s);
 - (B) Outcomes, sentences, and or conditions imposed;
 - (C) Name and location of the court or jurisdiction in which any proceedings were held or are pending, and the dates of the proceedings; and
 - (D) The designation and/or license number for any actions against a license;

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(q) A plan of operation which demonstrates how the worker-leasing company will meet the requirements of ORS chapter 654, *The Oregon Safe Employment Act*, and collect the information necessary to establish each client's experience rating; and

(r) A notarized signature of an authorized representative of the applicant.

(3) Incomplete or incorrectly completed application packages will be rejected and returned to the applicant. The applicant will not be authorized to lease employees until the director has issued a license.

(4) Upon receipt of a completed application package, the application will be reviewed. The department may conduct a background investigation of each individual applicant and controlling person. If the application is approved, the director will issue a license.

(5) Each license issued under these rules shall automatically expire two years after the date of issuance unless renewed by the licensee.

Stat Auth: ORS 656.704, 656.726(4), 656.850 and 656.855
Stats. Implemented: ORS 656.850 and 656.855
Hist: Filed 4/1/94 as Admin. Order 94-052, eff. 5/1/94
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended 9/5/03 as WCD Admin. Order 03-056, eff. 9/15/03

436-050-0450 Recordkeeping

(1) Every licensed worker-leasing company must give notice to the director of one Oregon location where Oregon leasing records are kept. The notice must include the physical address, mailing address, telephone number, and any other contact information in this state.

(2) Every licensed worker-leasing company must have at least one representative of the worker-leasing company at the Oregon location who is able to respond to inquiries regarding leasing arrangements and client contracts.

(3) The following records must be kept at the Oregon location:

(a) Copies of signed worker leasing notices;

(b) Copies of signed notices of termination of leasing arrangements;

(c) Copies of signed contracts between the worker-leasing company and clients; and

(d) Payroll records for all workers which identify leased workers subject to coverage by the worker-leasing company; leased workers not subject to coverage by the worker-leasing company; and, payroll records for all regular and temporary employees of the worker-leasing company.

(4) If the designated Oregon location, or representative is changed, the worker-leasing company must notify the director within 30 days of the effective date of the change.

Stat Auth: ORS 656.704, 656.726(4), 656.850 and 656.855
Stats. Implemented: ORS 656.850 and 656.855
Hist: Filed 4/1/94 as Admin. Order 94-052, eff. 5/1/94
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Amended 9/5/03 as WCD Admin. Order 03-056, eff. 9/15/03

436-050-0455 Reporting Requirements of a Self-Insured Worker-Leasing Company

(1) A self-insured worker-leasing company shall maintain and report to the National

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Council on Compensation Insurance separate statistical data for each client whose coverage is provided by the self-insured employer. Reporting shall be according to the uniform statistical plan prescribed by the director according to ORS 737.225(4).

(2) Records relating to the client statistical data for self-insured worker-leasing companies shall be made available for review by the National Council on Compensation Insurance upon request.

Stat Auth: ORS 656.704, 656.726(4), 656.850 and 656.855

Stats. Implemented: ORS 656.850 and 656.855

Hist: Filed 4/1/94 as Admin. Order 94-052, eff. 5/1/94

Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01

436-050-0460 Disqualification, Suspension, Revocation of License

(1) The director may disqualify, suspend or revoke the worker-leasing company's license upon a determination that the worker-leasing company has failed to comply with ORS 656.850, 656.855, or these rules. Reasons for disqualification, suspension or revocation include, but are not limited to:

(a) Insolvency, whether the worker-leasing company's liabilities exceed their assets or the worker-leasing company cannot meet its financial obligations;

(b) If the worker-leasing company or any controlling person has been convicted of dishonest, fraudulent or illegal practices or conduct in any business or profession;

(c) If any controlling person has been convicted of a crime within the past 10 years, an essential element of which is fraud, theft, or embezzlement of monies;

(d) If the worker-leasing company has willfully violated or has failed to comply with any provisions of ORS Chapters 654, 656, 659, 731 or 737; or any provisions of these rules; or

(e) If the worker-leasing company is permanently or temporarily enjoined by a court from engaging in or continuing any conduct or practice involving any aspect of the worker-leasing business.

(2) For the purposes of this rule:

(a) "Disqualification" and its variations means a refusal by the director to issue a license to a prospective worker-leasing company for failure to meet the requirements of ORS 656.850, 656.855, or these rules.

(b) "Suspension" and its variations means a stopping by the director of the worker-leasing company's authority to provide leased workers to clients for a specified period of time.

(c) "Revocation" and its variations means a permanent stopping by the director of the worker-leasing company's authority to provide leased workers to clients.

(d) "Show-cause hearing" means an informal meeting with the director in which the worker-leasing company shall be provided an opportunity to be heard and present evidence regarding any proposed orders by the director to suspend or revoke a worker-leasing company's authority to provide leased workers to clients.

(3) Suspension or revocation under this rule will not be made until the worker-leasing company has been given notice and the opportunity to be heard through a show-cause hearing

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before the director and “show cause” why it should be permitted to continue to be licensed as a worker-leasing company.

(4) A show-cause hearing may be held at any time the director finds that a worker-leasing company has failed to comply with its obligations under a leasing contract or that it failed to comply with the rules or orders of the director.

(5) Following a show-cause hearing, the director may rescind the proposed order if the worker-leasing company establishes to the director’s satisfaction its ability and commitment to comply with ORS chapter 656 and these rules.

(6) A suspension may be in effect for a period of up to two years.

(7) After a revocation of a worker-leasing company’s authority to provide leased workers to clients has been in effect for five years or longer, it may reapply for license.

(8) Appeal of proposed and final orders of suspension or revocation issued under this rule may be made as provided in OAR 436-050-0008 and OAR 436-001.

(9) Notwithstanding section (3) of this rule, the director may immediately suspend or refuse to renew a license by issuing an “emergency suspension order” if the worker-leasing company fails to maintain workers’ compensation coverage; or if the director finds there is a serious danger to public health or safety.

(10) A disqualification, suspension or revocation will apply to any new entity created from the disqualified, suspended, or revoked entity through the sale, transfer or conveyance of ownership interest or of the entity’s assets to another entity which takes over its operations.

Stat Auth: ORS 656.704, 656.726(4), 656.850 and 656.855
Stats. Implemented: ORS 656.850 and 656.855
Hist: Filed 4/1/94 as Admin. Order 94-052, eff. 5/1/94
Amended 6/22/01 as WCD Admin. Order 01-054, eff. 7/1/01
Amended 9/5/03 as WCD Admin. Order 03-056, eff. 9/15/03

436-050-0470 Monitoring/Auditing

(1) The division will monitor and conduct periodic audits of employers as necessary to ensure compliance with the worker-leasing company licensing and performance requirements.

(2) All pertinent records of the worker-leasing company required by these rules must be disclosed upon request of the director.

(3) Pursuant to ORS 656.726 and 656.758, the director may inspect the books, records and payrolls of employers pertinent to the administration of these rules. Employers must provide the director with all pertinent books, records and payrolls upon request.

(4) For the purposes of this rule, both the worker-leasing company and its clients shall be considered employers.

Stat Auth: ORS 656.704, 656.726(4), 656.850 and 656.855
Stats. Implemented: ORS 656.850 and 656.855
Hist: Filed 4/1/94 as Admin. Order 94-052, eff. 5/1/94
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Amended 9/5/03 as WCD Admin. Order 03-056, eff. 9/15/03

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436-050-0480 Assessment of Civil Penalties

(1) The director may assess a civil penalty against an employer who fails to respond to requests for information and fails to meet the requirements of 436-050-0470. The matrix attached to these rules in Appendix "A" will be used in assessing these penalties. Assessment of a penalty does not relieve the employer of the obligation to provide a response.

(2) An employer failing to meet the requirements set forth in OAR 436-050-0410, 436-050-0450, and 436-050-0455, may be assessed a civil penalty based on the matrix in Appendix "B", attached to these rules.

(3) An employer who is found to be operating a worker leasing company without having obtained a license or having failed to renew a license pursuant to ORS 656.850(2), may be assessed a civil penalty based on the matrix attached to these rules in Appendix "C".

(4) For the purposes of ORS 656.850(2), a violation is defined as any month or part of a month in which an employer provides leased workers to a client without having first obtained a worker leasing license.

Stat Auth: ORS 656.704, 656.726(4), 656.850 and 656.855
Stats. Implemented: ORS 656.850 and 656.855
Hist: Filed XX/XX/XX as Admin. Order XX-XXX, eff. XX/XX/XX

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APPENDIX A

OAR 436-050-0480

Penalty Matrix For Failure To Respond To Information Requests

NUMBER OF VIOLATIONS

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5+</u>
<u>NUMBER OF DAYS LATE</u>					
<u>1-7</u>	<u>\$0</u>	<u>\$50</u>	<u>\$100</u>	<u>\$200</u>	<u>\$300</u>
<u>8-14</u>	<u>\$50</u>	<u>\$100</u>	<u>\$200</u>	<u>\$400</u>	<u>\$800</u>
<u>15-21</u>	<u>\$100</u>	<u>\$200</u>	<u>\$400</u>	<u>\$800</u>	<u>\$1000</u>
<u>22+</u>	<u>\$200</u>	<u>\$400</u>	<u>\$800</u>	<u>\$1000</u>	<u>\$1250</u>

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APPENDIX B

OAR 436-050-0480

Penalty Matrix For Recordkeeping Violations

NUMBER OF COMPLIANCE REVIEWS/AUDITS

<u>TYPE OF RECORD</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
<u>Signed client contract</u>	<u>\$50 each violation</u>	<u>\$100 each violation</u>	<u>\$150 each violation</u>	<u>\$200 each violation</u>
	<u>\$250 max</u>	<u>\$500 max</u>	<u>\$750 max</u>	<u>\$1000 max</u>
<u>Worker Leasing Notice Filed With WCD In 14 Days</u>	<u>\$100 each violation</u>	<u>\$150 each violation</u>	<u>\$200 each violation</u>	<u>\$300 each violation</u>
	<u>\$500max</u>	<u>\$750 max</u>	<u>\$1000 max</u>	<u>\$1500 max</u>
<u>Worker Leasing Notice In File</u>	<u>\$50 each violation</u>	<u>\$100 each violation</u>	<u>\$150 each violation</u>	<u>\$200 each violation</u>
	<u>\$250 max</u>	<u>\$500 max</u>	<u>\$750 max</u>	<u>\$1000 max</u>
<u>Effective Date On Worker Leasing Notice Same As On Client Contract</u>	<u>\$50 each violation</u>	<u>\$100 each violation</u>	<u>\$150 each violation</u>	<u>\$200 each violation</u>
	<u>\$250 max</u>	<u>\$500 max</u>	<u>\$750 max</u>	<u>\$1000 max</u>
<u>Cancellation of Worker Leasing Notice In File</u>	<u>\$50 each violation</u>	<u>\$100 each violation</u>	<u>\$150 each violation</u>	<u>\$200 each violation</u>
	<u>\$250 max</u>	<u>\$500 max</u>	<u>\$750 max</u>	<u>\$1000 max</u>

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APPENDIX C

OAR 436-050-0480

ORS 656.850 (2)

Penalty Matrix For Operating as a Worker Leasing Company Without a License

MONTHS

<u>1 MONTH</u>	<u>2-3 MONTHS</u>	<u>4-6 MONTHS</u>	<u>7+ MONTHS</u>
<u>\$250</u>	<u>\$500</u>	<u>\$1000</u>	<u>\$2000</u>