

## 2010 Workers' Compensation Pure Premium Rate Questions and Answers

The Department of Consumer and Business Services recently announced a 1.3 percent decrease in the workers' compensation "pure" premium rate for 2010. The reduction marks the fourth straight year for a rate decrease and the 20th consecutive year with no rate increase.

### What is the pure premium rate?

The pure premium rate is the base rate employers pay to their insurance company for workers' compensation coverage. It reflects the actual cost of workplace injury and illness claims before insurance carriers' administrative expenses and profit are added. The 1.3 percent reduction represents an average across all types of businesses. Rates for specific businesses and industry groups may be higher or lower depending on group and individual claim experience.

### How does the department calculate the rate each year?

The department sets the pure premium rate based on a recommendation from the National Council on Compensation Insurance Inc. (NCCI). Based in Boca Raton, Fla., NCCI manages the nation's largest database of workers' compensation insurance information and prepares workers' compensation insurance rate recommendations for many states.

When making its rate recommendations, NCCI looks at various trends in Oregon claims experience and benefits to forecast "loss costs" – or the estimated cost of injury and illness claims.

### When does the new rate take effect?

The new rate will take effect on new and renewal policies effective Jan. 1, 2010, and after.

### Why are pure premium rates going down?

Improvements in workplace safety have resulted in decreasing frequency and severity of claims. Workplace injury and illness rates in the state have declined nearly 19 percent since 2004 and more than 50 percent since the late 1980s.

In addition, the Department of Consumer and Business Services has worked with management and labor to reduce claims costs by helping workers return to work faster, controlling medical costs, and several other initiatives. The following are some of the recent measures that have contributed to reduced workers' compensation costs:

- The Workers' Compensation Division has made several recent enhancements to its return-to-work programs, which help injured workers return to work faster with good wages. The division has simplified the requirements for these programs, provided more flexibility, and streamlined processes. As a result, the use of the Employer-at-Injury Program – the most widely used return-to-work program – has grown 100 percent during the past five years.

- The Workers' Compensation Medical Advisory Committee screens the use of new and experimental medical procedures, such as IDET back surgery and lumbar and cervical disc replacements, to ensure workers receive quality and cost-effective care.
- Through the Voluntary Coverage Assistance Program and other efforts, the department, NCCI, and insurers helped 285 employers obtain coverage in the voluntary market instead of the assigned risk pool in 2008. Fewer employers in the assigned risk pool reduces the expense for the majority of employers in the voluntary market that subsidize the pool.

### **What is happening with worker benefits?**

Worker benefits have improved significantly in Oregon as costs have gone down. The following are examples of changes that have benefited workers:

- Legislation passed in 2009 enhances death benefits for surviving family members and makes it easier for firefighters to receive benefits for work-related illnesses.
- Benefits for permanent partial disability have increased between 600 percent and 800 percent since the late 1980s, depending on type of injury, and they now go up automatically as statewide wages increase, due to statutory changes in the past three legislative sessions.
- Oregon's benefits for time loss are now among the highest nationally.
- Workers who are permanently and totally disabled no longer lose their benefits even if they become able to work a few hours a week.
- The rate at which workers' claims are denied has held steady in the past 16 years and has declined slightly since 2002.
- Injured workers are receiving medical benefits more quickly. By using alternative dispute resolution, the Workers' Compensation Division has reduced the average time it takes to resolve medical disputes 68 percent since 2005.

### **Will the pure premium rate continue to decrease in upcoming years?**

Through the Management-Labor Advisory Committee, the Department of Consumer and Business Services continues to work with employers and workers to monitor the system and evaluate areas of potential improvement. The department also continues to work on improving workplace safety to keep injury and illness rates down.

However, the system remains susceptible to outside pressures, such as the increasing cost of health care, which could put upward pressure on the rates.

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