



NOTICE TO OREGON EMPLOYERS OCTOBER 21, 2005

WHAT EMPLOYERS WILL PAY FOR WORKERS' COMPENSATION IN 2006:

- Workers' compensation insurance premiums: The average pure premium rate *will not change* from the average 2005 level. Pure premiums are the base rates, before insurer costs are added.
- Workers' Benefit Fund ("cents-per-hour") assessment: 3.0 cents per hour or partial hour worked by each paid employee subject to workers' compensation coverage, down from 3.4 cents per hour in 2005.
- Premium assessment: 5.5 percent for 2006, based on premiums paid, down from 6.8 percent in 2005.

Please share this notice with your payroll and risk management staff.

2006 Workers' Compensation Insurance Average Premium Rate Unchanged

The Department of Consumer & Business Services has determined that the average pure premium rate Oregon employers will pay for workers' compensation insurance in 2006 will remain unchanged from 2005. The pure premium rate is the base premium reflecting the actual cost of workplace-injury-and-illness claims, before insurer administrative expenses and profit are added. This means that, on average, employers' workers' compensation premium costs for the year will remain flat. This is the fourth year in a row with no change, following 12 consecutive annual decreases, 1991 to 2002. The cumulative decrease in pure premiums since 1990 totals 57.4 percent and represents an estimated \$11.5 billion in workers' compensation premium savings to employers. *The unchanged 2006 rate represents an average across all types of businesses. Rates for specific businesses and industry groups may be higher or lower, depending on group and individual claim records. Employers pay their premiums directly to their insurers. Premiums do not fund state programs or services.*

2006 Workers' Benefit Fund Assessment ("Cents-Per-Hour") Rate

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

2006 Workers' Compensation Premium Assessment Rate

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

For more information about workers' compensation costs, contact your insurer; call the Oregon Department of Consumer & Business Services, (800) 452-0288, or visit www.dcbcs.oregon.gov and click on "Workers' comp. rate info."

THEODORE R. KULONGOSKI
GOVERNOR



October 21, 2005

Dear Oregon Employer:

My top priority is to grow Oregon's economy – to make this state an even better place to do business. When Oregon businesses are successful, Oregonians are successful.

The attached notice offers good news to support that goal. No other state can equal our 16-year record of declining or flat average workers' compensation premiums and the billions of dollars Oregon employers have saved as a result – all while significantly improving benefits for injured workers.

I am often reminded that this is a powerful advantage that helps us create jobs, opportunity, and economic strength. Just ask the owners of Amy's Kitchen, the California-based organic frozen food manufacturer that is now investing up to \$40 million to build a 165,000-square foot plant near White City. When I worked to recruit that facility, one of the tools I had was that they would save millions of dollars in workers' compensation and other costs by locating their new facility here rather than in California.

But while we celebrate our success with workers' compensation reforms since 1990, I also want employers and workers to keep an eye on the fundamentals: To continue this achievement, we must keep workers safe on the job. Keeping costs down depends on keeping workers healthy and injury-free, because the single most important reason for reduced costs has been the declining injury and illness rate. Fewer injuries and illnesses equals fewer claims, and fewer claims equals lower costs.

While the general trend in claims remains positive, medical costs are pushing hard in the other direction. This is not news to anyone who has paid a health insurance premium or a hospital or doctor's bill lately. We have taken measures to rein in treatment and pharmacy expenses in workers' compensation – requiring providers to justify use of certain expensive medications, for instance – but the cost of health care services and prescription drugs is rising fast as in other areas of the health care industry.

We have an active partnership in place between government, business and labor to improve safety in the workplace – to keep costs down and, even more importantly, to send workers home to their families in good health. I have also worked hard to keep administrative costs in government down – which contributed to a \$33.4 million reduction in the assessments employers will pay next year to support the system. But every successful enterprise takes constant, careful attention to its fundamental strengths to stay on track.

Employers, workers, insurers, and government have done a great job with Oregon's workers' compensation system. We owe it to our state to work together to maintain that commitment in the decades to come.

Sincerely,

THEODORE R. KULONGOSKI
Governor

Workers' compensation help for employers and workers

Oregon Department of Consumer & Business Services Workers' Compensation Division

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