

SB 96

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SB 96 provides an opportunity for Oregon cities and counties in a self-insured workers' compensation group to prove their ability to meet their financial obligations in the same way that individually self-insured cities and counties do.

The passage of SB 96 would potentially reduce both direct and administrative costs to the cities and counties that participate in a self-insured group, while still providing certainty that the obligations to injured workers and to the Workers' Compensation Division (WCD) will be met.

Background

ORS 656.407 requires that employers in Oregon maintain Workers' Compensation coverage either by obtaining coverage by an insurer, or, by self-insuring the coverage. In order to self-insure, employers must prove they have staff qualified to administer Workers' Compensation claims. Employers must also prove they have the financial ability to make payments of all compensation and other payments due to the Department of Consumer and Business Services, Workers' Compensation Division (WCD).

Proof of financial ability to maintain self-insurance includes establishment of a security deposit in accordance with WCD rules. The security deposit is used to fund compensatory payments and payments due to WCD in the event the self-insured employer is unable to pay. WCD accepts either a fidelity bond or an irrevocable letter of credit to satisfy the security deposit requirement.

However, ORS 656.407 allows self-insured cities and counties to apply to WCD for exemption from the security deposit provided they:

- Are certified by WCD.
- Have been self-insured for three consecutive years.
- Maintain a workers' compensation coverage loss reserve account that is actuarially sound and adequately funded as determined by annual audit.
- File annual audits with the Secretary of State.
- Have executed a resolution by their governing body establishing the loss reserve.

- Provide a statement giving the amount of current reserves for both current and future liabilities.

SB 96 adjusts ORS 656.407 to allow groups of self-insured employers made up primarily of cities or counties to apply to WCD for exemption from the security deposit requirement, just as individually self-insured cities and counties do.

Currently, the CIS Trust is the only self-insured workers' compensation group of which we're aware that would meet the criteria in SB 96. CIS has 223 members in its workers' compensation group, 200 of which, or just under 90%, are cities and counties. The remainder are public bodies created by cities and counties to perform services that the city or county could otherwise provide itself.

A public body itself, CIS potentially meets the criteria for an exemption, as we currently obtain annual independent audits that are submitted to the Secretary of State, and conduct annual actuarial studies to establish the liabilities of the workers' compensation loss fund.

Under current law and regulation, CIS provides to WCD a letter of credit in the amount of \$7.1 million. The direct cost to the membership is about \$6,000, but to obtain that letter, CIS has to provide \$8.9 million in collateral to which it has no access. The collateral funds produce interest, but can't be invested with the rest of the pool's assets. Additionally, obtaining the letter of credit is an onerous process each year. Basically, the bank treats it like a new loan every time, requiring significant staff time and effort to complete.

SB 96 does not automatically grant an exemption from the security deposit requirement. It simply provides an opportunity for cities and counties self-insured as a group to apply. We would appreciate MLAC's support of the proposed legislation.

About CIS

The CIS Trust (CIS) was formed in 1981 through intergovernmental agreement under ORS Chapter 190 by the League of Oregon Cities (LOC) and Association of Oregon Counties (AOC). It is open only to Oregon cities and counties that are members of LOC and AOC, respectively, and to any other "public body", as defined in ORS 174.109, that is subject to ORS 30.260 to 30.300 (Tort Actions Against Public Bodies) and that is created by a city or county under statutory or home rule authority or that provides services a city or county may provide within its own boundaries.

CIS provides self-insured coverage, risk management and risk financing to its members for medical, dental, liability, property, auto physical damage, and workers' compensation; it also administers group purchasing of other employee benefits plans.