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Workers' compensation costs to drop for third-straight year

Salem – In 2016, Oregon workers' compensation costs will decrease an average 5.3 percent, the Department of Consumer and Business Services (DCBS) announced today. This marks the third year in a row – and eighth year in the past decade – that Oregon businesses are seeing an average decrease.

The department approved the average decrease in “pure premium,” which is the portion of the premium employers pay insurers to cover anticipated claims costs for job-related injuries and deaths.

Workers' compensation pays injured workers for lost wages and medical care for job-related injuries. A four-year decline in average medical care costs and stable wage replacement costs are the key factors continuing to drive down the pure premium.

“Keeping workers' compensation costs low contributes to a healthy business climate for Oregon employers,” said Patrick Allen, DCBS director. “Oregon is unique in achieving these low costs while also maintaining strong benefits and programs for injured workers.”

The decrease is based on a recommendation from the Florida-based National Council on Compensation Insurance Inc. (NCCI), which analyzes industry trends and prepares rate recommendations for the majority of states. Pure premium reflects only a portion of workers' compensation costs but is the key factor behind annual cost changes. The decrease is an average, so an individual employer may see a larger decrease, no change, or even an increase depending on the employer's own industry, claims experience, and payroll. Also, pure premium doesn't take into account the varying expenses and profit of insurance companies.

The rate decrease is effective Jan. 1, 2016, but employers will see the changes when they renew their policies in 2016.

Oregon's workers' compensation premium rates have ranked low nationally for many years. Only seven states and the District of Columbia had average rates lower than Oregon in 2014, according to a biennial study conducted by DCBS. In contrast to changes made in some other states, Oregon has seen no meaningful reduction in worker benefits since at least the early 1990s.

In addition to any change in pure premium, other workers' compensation costs reviewed annually by the department include:

- An assessment on workers' compensation premiums to fund the state costs of running workers' compensation and safety and health programs.
- An assessment on hours worked to fund Oregon's highly successful return-to-work programs that help injured workers return to work quickly and earn close to their pre-injury wages. This assessment also provides increased benefits over time for workers who are permanently and totally disabled, and gives benefits to families of workers who die from workplace injuries or diseases.

The following chart summarizes all the changes.

Workers' Compensation Cost Summary: Effective Jan. 1, 2016			
What	Pays for	Cost/Change	Recent Rate History
Pure premium	Medical claims and benefits for lost wages. Excludes insurer expenses and profit.	Average 5.3 percent decrease from 2015.	<ul style="list-style-type: none"> • 2015: 5.3 percent decrease • 2014: 7.6 percent decrease • 2013: 1.7 percent increase • 2012: 1.9 percent increase
Premium assessment*	<p>State regulatory costs to administer workers' compensation and workplace safety programs.</p> <p>Self-insured employers and self-insured employer groups pay an additional amount to fund reserves that ensure prompt payment of claims in the event of insolvencies.</p>	<ul style="list-style-type: none"> • 6.2 percent of premiums for insured employers, the same as in 2015. • 6.4 percent for self-insured employers, the same as in 2015. • 6.4 percent for public-sector self-insured groups, the same as in 2015. • 7.2 percent for private-sector self-insured employer groups, the same as in 2015. 	The premium assessment for insured employers has remained flat since 2012. The assessment for self-insured employer groups increased from 6.4 percent to 7.2 percent in 2014. This increase ensured the state's ability to promptly pay claims of injured workers if self-insured groups fail and do not cover their claim liabilities. The assessment was lowered to 6.4 percent for public-sector self-insured groups in 2015.
Workers' Benefit Fund (Payroll assessment)	Special benefits for certain injured workers and their families, and return-to-work programs	3.3 cents per hour worked, the same as in 2015. Employers and employees split the cost.	Rates increased from 2.8 cents per hour worked in 2012 to 3.3 cents in 2013 and have remained steady.

*Public hearing set for Wednesday, Sept. 23, at 2 p.m. at the Labor and Industries Building, Room 260, in Salem.

More information about Oregon workers' compensation costs can be found at http://www.cbs.state.or.us/external/dir/wc_cost/index.html.

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The Department of Consumer and Business Services is Oregon's largest business regulatory and consumer protection agency. For more information, visit <http://www.dcbs.oregon.gov/>.