



Preliminary Cost Impact Analysis

OREGON SENATE BILL 705 *As Amended on February 5, 2025*

NCCI has completed a preliminary cost impact analysis of Oregon Senate Bill (SB) 705. This analysis includes a description of the changes, an indication as to the approximate magnitude of its cost impact, and identifies potential unintended consequences or other notable items. NCCI estimates that the proposed change, if enacted, may result in a moderate to sizable¹ increase in system costs

The provisions contained in SB 705 are proposed to become effective on January 1, 2026, and were analyzed on a prospective basis only (i.e., claims for temporary disability compensation filed on or after January 1, 2026).

The analysis was completed in an expedited manner and is considered preliminary. NCCI may supplement this document with a complete and final analysis of the bill at a later date. It is possible that the magnitude of the estimated impact of the final analysis could differ from what is provided in this document. Note that the absence of an update to the preliminary analysis does not signify that this is NCCI's final assessment of the cost impact of the bill.

Summary and Analysis

Currently in Oregon, injured workers eligible for Temporary Total Disability (TTD) benefits receive 66 2/3% of their average weekly wage (AWW), subject to a maximum of 133% of the Oregon State Average Weekly Wage (SAWW) and a minimum of either 90% of their weekly wage or \$50, whichever is less. SB 705 proposes to increase the TTD compensation rate² for injured workers with an AWW less than or equal to the current Oregon SAWW, from 66 2/3% of the injured workers wages to 100% of the injured workers wages net of payroll deductions.

In order to evaluate the impact of the proposed changes to compensation rates for injured workers receiving TTD benefits and whose AWW is less than or equal to the Oregon SAWW, NCCI analyzed the weekly TTD benefit awards under the current and proposed benefit structure. NCCI has provided several illustrative scenarios in the table below. For each scenario, NCCI assumed the following:

- Payroll deductions are 20% of gross wages, thus "net of payroll deductions" is equal to 80% of the injured workers average weekly wage.

¹ Moderate to sizeable is defined in this context to be an impact on overall system costs of between 1% and 5%.

² Including temporary total benefits paid during an injured worker's healing period prior to a permanent partial disability award.



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- Benefits are based on the current Oregon SAWW of \$1,331.48 (\$69,000 annually). Thus, for the purposes of these scenarios, only injured workers with wages less than or equal to \$69,000 would be impacted by SB 705.

(A)	(B)	(C)	(D)	(E) = [(D) / (B)] - 1
Scenario Impacts on Workers at Different AWWs	Current Weekly TTD Benefits Awarded	Workers' AWW Net of Payroll Deduction (80% of AWW)	Proposed TTD Weekly Benefits Awarded	Scenario Cost Impact
Worker #1 AWW = \$55	\$49.50 = (lesser of 90% of AWW, or \$50)	\$44.00 = (\$55 x 80%)	\$44.00	-11% = (\$44.00/\$49.50 - 1)
Worker #2 AWW = \$63	\$50 = (lesser of 90% of AWW, or \$50)	\$50.40 = (\$63 x 80%)	\$50.40	+1% = (\$50.40/\$50 - 1)
Worker #3 AWW = \$1,331	\$887 = (\$1,331 x 66 2/3%)	\$1,065 = (\$1,331 x 80%)	\$1,065.00	+20% = (\$1,065/\$887 - 1)
Worker #4 AWW = \$1,332	\$888 = (\$1,332 x 66 2/3%)	\$1,066 = (\$1,332 x 80%)	\$888.00	0% = (\$888/\$888 - 1)
Worker #5 AWW = \$2,500	\$1,668 = (\$2,500 x 66 2/3%)	\$2,000 = (\$2,500 x 80%)	\$1,668.00	0% = (\$1,668/\$1,668 - 1)
Worker #6 AWW ≥ \$2,565.31	\$1,770.87 = (\$2,565.31 x 66 2/3%); the max TTD benefit awarded 133% of the SAWW	≥ \$2,052 (≥ \$2,500 x 80%)	\$1,770.87	0% = (\$1,770.87/\$1,770.87 - 1)

Note the disparity in benefits between Scenarios 3 and 4. The worker's AWW in Scenario 3 is slightly lower than the worker in Scenario 4, yet the worker in Scenario 3 receives a benefit that is 20% higher. Additionally, the worker's TTD benefit in Scenario 1 is reduced under the proposed bill.

In order to estimate the potential impact of proposed SB 705 on overall workers compensation system costs, NCCI analyzed the impact of the increased TTD compensation rate for various ranges of injured worker annual income and payroll deductions (e.g., 20% and 30%). The Workers Compensation Division (WCD) provided a breakdown of average annual income brackets for workers with accepted workers compensation disability claims in 2024. Based on the WCD report, approximately 80% of all injured workers had an income of less than the current OR SAWW.



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Annual Income	(1) Workers in Income Bracket (%)	Cost Impact (%)	
		(2) Scenario 1: 30% Payroll Deductions	(3) Scenario 2: 20% Payroll Deductions
<\$30,000	15.3%	+3.8%	+18.7%
\$30,000-\$50,000	41.1%	+5.0%	+20.0%
\$50,000-\$70,000	23.2%	+4.7%	+18.8%
> \$70,000	20.5%	0%	0%
(A) Impact on TTD Benefits ³		+3.8%	+15.5%
(B) TTD Benefits as a % of Total Losses ^{4,2}		28.6%	
Hypothetical Overall Impact = (A) x (B)		+1.1%	+4.4%

The above hypothetical scenarios are provided for illustrative purposes only and are not intended to represent a minimum or maximum impact.

Additional Considerations

The amounts included in payroll deductions (e.g., child support, health insurance, etc.) are not currently defined in the Oregon statutes, nor are they defined in proposed SB 705. The definition of “payroll deductions” is a relevant component in determining the impact of SB 705 on WC system costs, especially for those injured workers with an average weekly wage at or below the current Oregon SAWW.

³ The overall impact on TTD benefits is equal to the percentage of workers in each bracket multiplied by the cost impact for each bracket, summed over all income brackets.

⁴ Based on NCCI Workers Compensation Statistical Plan (WCSP) data for Oregon policies becoming effective during the 24-month period ending December 31, 2021, brought to the current benefit level and developed to an ultimate basis by type of injury, as well as trended and on-leveled Financial Call data from the latest approved NCCI experience filing for Oregon, effective January 1, 2025.



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Most workers with weekly wages up to the SAWW would see an increase in TTD benefits of up to 20% based on the assumption that “net of any payroll deductions” is equal to 80% of gross payroll. If the average “net of payroll deductions” results in the average injured workers wages less than 80%, the impact on TTD benefit costs would be expected to be lower than the illustrative scenarios described above. A similar but opposite impact would exist if workers’ wages were higher than the 80%, on average, as the impact on TTD benefit costs would be expected to be higher than the illustrative scenarios.

Studies⁵ indicate that significant benefit increases are typically accompanied by changes in claimant behavior, known as utilization, which results in increased claim filings and an increase in the average duration of indemnity benefit payments. The potential impact of utilization was not contemplated in this analysis but could occur depending on the magnitude of changes in TTD benefits under proposed SB 705, if enacted.

If uncertainty exists regarding the interpretation of what constitutes payroll deductions, it is possible that there could be additional administrative costs incurred in determining wages on a “net of payroll deductions” basis. Additionally, attorney involvement may increase which, in turn, could increase loss adjustment expenses (LAE) as insurers or employers may incur additional costs to manage and/or settle these claims.

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⁵ Moss, Robert, Pistole, Ashley, Ritter, Bruce. “Impact on Utilization From an Increase in Workers Compensation Indemnity Benefits” (National Council on Compensation Insurance, 2009).