



ANALYSIS OF PROPOSED BENEFIT CALCULATION SCENARIOS BASED ON INJURED WORKER WAGES

As Requested on September 4, 2025

NCCI evaluated the potential system cost impact of four hypothetical scenarios provided by the Oregon Workers' Compensation Division on September 4, 2025. The scenarios involve changes to the rate of compensation for "low wage" earners.¹ NCCI estimates that the impacts of the changes in the provided scenarios, if ultimately proposed and enacted, would range from +0.3% (\$2M²) to +5.1% (\$41M²) on overall workers compensation (WC) system costs in Oregon. This analysis assumes an effective date of January 1, 2027, and is prospective only (i.e., for accidents occurring on or after January 1, 2027).

This pricing analysis is based on an informal proposal, not on formal statutory bill language. If a legislative bill were introduced, NCCI would perform an analysis based on the actual bill language and the impacts stated in this analysis may change accordingly.

Summary and Analysis

In Oregon, compensation for lost wages is defined in the Oregon Revised Statutes (ORS) Chapter 656. Per ORS 656, compensation for total disability is equal to 66 2/3% of the injured worker's wage. When the total disability is temporary in nature, a temporary total disability (TTD), benefits are subject to a maximum of 133% of the Oregon State Average Weekly Wage (SAWW) and a minimum of 90% of the injured worker's wage or \$50, whichever is less. When the total disability is permanent in nature, a permanent total disability (PTD), benefits are subject to a maximum of 133% of the SAWW and a minimum of 33% of the SAWW.

Temporary Partial Disability (TPD)

Per ORS 656.212, weekly TPD benefits are based on wage loss and proportional to TTD benefits as defined in ORS 656.210. Therefore, any impact on TPD costs will be proportional to the impact of the proposed changes in TTD benefits.

Permanent Partial Disability (PPD)

Per ORS 656.214, PPD benefits are calculated on an impairment basis and would not be directly affected by the proposed changes to benefit calculation. The portion of PPD, however, that is

¹ As defined in the Summary and Analysis section.

² The estimated dollar impact is displayed for illustrative purposes only and calculated as the percentage impact(s) multiplied by 2024 written premium of \$792M from NAIC Annual Statement data for Oregon. This figure does not include self-insurance, the policyholder retained portion of deductible policies, or adjustments for subsequent changes in premium levels. The use of premium as the basis for the dollar impact assumes that expenses and other premium adjustments will be affected proportionally to the change in benefit costs. The dollar impact on overall system costs inclusive of self-insurance is estimated to be between \$5M and \$51M, where data on self-insurance is approximated using the National Academy of Social Insurance's November 2024 publication "Workers' Compensation: Benefits, Costs, and Coverages, 2022."



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As Requested on September 4, 2025

paid during an injured worker's healing period prior to a PPD award is considered under the TTD benefits portion of this analysis.

Scenarios #1 and #1A would increase lost time benefits for "low wage" earners, which are defined as those earning the Portland, Oregon minimum hourly wage of \$16.30 or less or, equivalently, an annual salary of approximately \$33,900 or less. Scenarios #2 and #2A would increase lost-time benefits for the portion of wages earned at or below 75% of the Oregon SAWW. The table below summarizes the changes to the calculation of lost time benefits and the resultant impacts to overall costs, by scenario provided by the Oregon Workers' Compensation Division:

| Scenario | Description | Scenario Cost Impact |
|----------|---|----------------------|
| #1 | Increases the compensation rate for low wage earners from 66 2/3% to 70% of the injured worker's wage, while retaining the current rate of 66 2/3% for workers at higher wages. | +0.3% |
| #1A | Increases the compensation rate for low wage earners from 66 2/3% to 75% of the injured worker's wage, while retaining the current rate of 66 2/3% for workers at higher wages. | +0.7% |
| #2 | Increases the compensation rate from 66 2/3% to 80% of the injured worker's wage, for all workers for wages up to 75% of the SAWW. The current compensation rate of 66 2/3% continues to apply for any wages above 75% of the SAWW. | +5.1% |
| #2A | Increases the compensation rate from 66 2/3% to 75% of the injured worker's wage, for all workers for wages up to 75% of the SAWW. The current compensation rate of 66 2/3% continues to apply for any wages above 75% of the SAWW. | +3.2% |

In order to estimate the potential impact of the proposed changes on overall workers compensation system costs, NCCI analyzed the impact of the increased TTD and PTD compensation rate for the affected subset of injured workers or portion of their annual income. This analysis uses the Oregon Workers Compensation Division's (WCD) breakdown of average annual income brackets for workers with accepted workers compensation disability claims in 2024 to calculate the impact of the increased benefits for each wage bracket, for each scenario.

The following tables provide a detailed breakdown of the calculations of the impact by scenario.



ANALYSIS OF PROPOSED BENEFIT CALCULATION SCENARIOS BASED ON INJURED WORKER WAGES

As Requested on September 4, 2025

Scenario #1

Increases the compensation rate for low wage earners from 66 2/3% to 70% of the injured worker's wage, while retaining the current rate of 66 2/3% for workers at higher wages.

| | | TTD | PTD |
|---|-------------------------------------|---|---|
| | (1) | (2) | (3) |
| Annual Income ³ | Workers in Income Bracket (%) | Estimated Direct Cost Impact on TTD Benefits | Estimated Direct Cost Impact on PTD Benefits |
| <\$30,000 | 15.3% | +4.9% | — |
| \$30,000-\$50,000 | 41.1% | +0.6% | — |
| \$50,000-\$70,000 | 23.2% | — | — |
| \$70,000 - \$90,000 | 9.8% | — | — |
| \$90,000 - \$110,000 | 5.2% | — | — |
| >\$110,000 | 5.4% | — | — |
| (A) Impact on Benefit Type ⁴ | | +1.0% | — |
| (B) Benefits as a % of Total Losses ^{5,6} | | 28% | 1.6% |
| Impact by Benefit Type = (A) x (B) | | +0.3% | 0% |
| Overall Impact | | +0.3% | |

³ The annual income for a worker earning the minimum wage of \$16.30 is approximately \$33,900.

⁴ The overall impacts on TTD and PTD benefits are equal to the percentage of workers in each bracket multiplied by the cost impact for each bracket, summed over all income brackets. In the case of PTD, the social security offset is also contemplated, thus values shown in the scenario tables of this analysis may not reconcile to the impact shown in (A).

⁵ 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, developed and on-leveled Financial Call data from the latest approved NCCI experience filing for Oregon, effective January 1, 2025.

⁶ In Oregon, the Temporary Total Disability (TTD) injury type represents 28.9% of indemnity costs. Permanent partial disability (PPD) claims are divided into "healing period" benefits and permanent disability awards. The healing period represents temporary disability benefits paid on PPD claims prior to the award for permanent disability. NCCI estimates that the PPD injury type represents 60.7% of indemnity costs. Meanwhile, 39.6% of indemnity benefits for PPD injuries are paid during the healing period, and thus would be affected by this provision if enacted. The total estimated percentage of indemnity benefits represented by temporary benefits is thus 28.9% + (60.7%)(39.6%) = 52.9%. Since indemnity benefits comprise 53% of overall costs, the total estimated percentage of overall benefits represented by temporary benefits is 28% (= 52.9% x 53%).



ANALYSIS OF PROPOSED BENEFIT CALCULATION SCENARIOS BASED ON INJURED WORKER WAGES

As Requested on September 4, 2025

Scenario #1A

Increases the compensation rate for low wage earners from 66 2/3% to 75% of the injured worker's wage, while retaining the current rate of 66 2/3% for workers at higher wages.

| | | TTD | PTD |
|---|-------------------------------------|---|---|
| | (1) | (2) | (3) |
| Annual Income | Workers in Income Bracket (%) | Estimated Direct Cost Impact on TTD Benefits | Estimated Direct Cost Impact on PTD Benefits |
| <\$30,000 | 15.3% | +12.3% | — |
| \$30,000-\$50,000 | 41.1% | +1.5% | +0.1% |
| \$50,000-\$70,000 | 23.2% | — | — |
| \$70,000 - \$90,000 | 9.8% | — | — |
| \$90,000 - \$110,000 | 5.2% | — | — |
| >\$110,000 | 5.4% | — | — |
| (A) Impact on Benefit Type ⁴ | | +2.5% | — |
| (B) Benefits as a % of Total Losses ^{5,6} | | 28% | 1.6% |
| Impact by Benefit Type = (A) x (B) | | +0.7% | 0% |
| Overall Impact | | +0.7% | |

Note that in both Scenario #1 and Scenario #1A, there may be inconsistent outcomes for injured workers earning wages around the minimum wage level. For example, those earning close to, but less than, the minimum wage may receive more in weekly TTD benefits under the proposed scenarios than those earning just above the minimum wage.



ANALYSIS OF PROPOSED BENEFIT CALCULATION SCENARIOS BASED ON INJURED WORKER WAGES

As Requested on September 4, 2025

Scenario #2

Increases the compensation rate from 66 2/3% to 80% of the injured worker's wage, for all workers for wages up to 75% of the SAWW. The current compensation rate of 66 2/3% continues to apply for any wages above 75% of the SAWW.

| | | TTD | PTD |
|---|-------------------------------------|---|---|
| | (1) | (2) | (3) |
| Annual Income | Workers in Income Bracket (%) | Estimated Direct Cost Impact on TTD Benefits | Estimated Direct Cost Impact on PTD Benefits |
| <\$30,000 | 15.3% | +19.7% | — |
| \$30,000-\$50,000 | 41.1% | +20.0% | +17.4% |
| \$50,000-\$70,000 | 23.2% | +18.1% | +18.1% |
| \$70,000 - \$90,000 | 9.8% | +13.7% | +13.7% |
| \$90,000 - \$110,000 | 5.2% | +11.0% | +11.0% |
| >\$110,000 | 5.4% | +6.6% | +6.6% |
| (A) Impact on Benefit Type ⁴ | | +17.7% | +7.4% |
| (B) Benefits as a % of Total Losses ^{5,6} | | 28.0% | 1.6% |
| Impact by Benefit Type = (A) x (B) | | +5.0% | +0.1% |
| Overall Impact | | +5.1% | |



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As Requested on September 4, 2025

Scenario #2A

Increases the compensation rate from 66 2/3% to 75% of the injured worker's wage, for all workers for wages up to 75% of the SAWW. The current compensation rate of 66 2/3% continues to apply for any wages above 75% of the SAWW.

| | | TTD | PTD |
|---|-------------------------------------|---|---|
| | (1) | (2) | (3) |
| Annual Income | Workers in Income Bracket (%) | Estimated Direct Cost Impact on TTD Benefits | Estimated Direct Cost Impact on PTD Benefits |
| <\$30,000 | 15.3% | +12.3% | — |
| \$30,000-\$50,000 | 41.1% | +12.5% | +10.3% |
| \$50,000-\$70,000 | 23.2% | +11.3% | +11.3% |
| \$70,000 - \$90,000 | 9.8% | +8.6% | +8.6% |
| \$90,000 - \$110,000 | 5.2% | +6.9% | +6.9% |
| >\$110,000 | 5.4% | +4.4% | +4.4% |
| (A) Impact on Benefit Type ⁴ | | +11.0% | +4.4% |
| (B) Benefits as a % of Total Losses ^{5,6} | | 28.0% | 1.6% |
| Impact by Benefit Type = (A) x (B) | | +3.1% | +0.1% |
| Overall Impact | | +3.2% | |



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As Requested on September 4, 2025

The table below summarizes the impact by injury for each scenario and the resulting overall impacts:

| Type of Injury | (1) Percentage of Indemnity Losses | (2) Scenario Impact | | | |
|---|---------------------------------------|---------------------|--------------|--------------|--------------|
| | | #1 | #1A | #2 | #2A |
| PTD | 3.1% | +0.0% | +0.0% | +7.4% | +4.4% |
| PPD | 60.7% | +0.4% | +1.0% | +7.0% | +4.4% |
| TTD | 28.9% | +1.0% | +2.5% | +17.7% | +11.0% |
| (3) Impact on Indemnity Losses = (1) x (2), Summed Over All Injury Types for Each Scenario | | +0.5% | +1.3% | +9.6% | +6.0% |
| (4) Indemnity Share of Overall Benefit Costs ⁷ | | 53% | | | |
| (5) Overall Impact = (3) x (4) | | +0.3% | +0.7% | +5.1% | +3.2% |

Note that in the above table, the estimated impacts to PPD are a result of the proposed increase to TTD benefits paid during the “healing period”, as explained in footnote 6. For simplicity, this impact was included in the TTD impact in the scenario tables shown on the previous pages.

⁷ Indemnity/Medical loss distribution based on trended and on-leveled financial data from the latest approved NCCI experience filing for Oregon, effective 01/01/2026.



ANALYSIS OF PROPOSED BENEFIT CALCULATION SCENARIOS BASED ON INJURED WORKER WAGES

As Requested on September 4, 2025

Other Considerations

- Studies⁸ indicate that significant benefit increases are typically accompanied by changes in claimant behavior, known as utilization. The potential impact of utilization may add to the estimated cost impact for several of the scenarios analyzed.
- Per Oregon rules, the minimum wage is updated annually in accordance with the Consumer Price Index. If the compensation rates are to be tied to the minimum wage, as described in Scenario #1 and Scenario #1A, there could be future upward pressure on system costs if the growth in minimum wage outpaces actual injured worker wages. Conversely, increases in wages may also put downward pressure on loss costs as a result of higher payrolls and, in turn, higher premiums.

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⁸ Moss, Robert, Pistole, Ashley, Ritter, Bruce. "Impact on Utilization from an Increase in Workers Compensation Indemnity Benefits" (National Council on Compensation Insurance, 2009).