

Exhibit “1”

Memo

To: Sean O'Day, Interim Director, DCBS
Blake Johnson, Interim Deputy Director, DCBS
Matt West, Administrator, Workers' Compensation Division, DCBS
Lane Foulger, Chief Financial Officer, Central Services Division, DCBS

From: Kelli Borushko, Senior Economist, Central Services Division, DCBS

Date: September 8, 2025

Subject: Workers' Compensation Premium Assessment Rate Recommendation for CY 2026

Rule and Recommendation

In accordance with the requirements of [ORS 656.612](#), the Department of Consumer and Business Services (DCBS) must establish a calendar year (CY) 2026 workers' compensation premium assessment rate for insurers, self-insured employers, and self-insured employer groups. The department, in accordance with ORS 656.612(5), will conduct an administrative rule-making hearing on Sept. 18, 2025, and will solicit testimony from staff and interested parties.

We recommend that the workers' compensation premium assessment rate in [OAR 440-045-0020](#) remain at 9.8 percent for insurers, self-insured employers, and self-insured employer groups for CY 2026.

Note: Self-insured employers and self-insured employer groups are subject to an additional assessment that is discussed in a separate memorandum dated Sept. 8, 2025, with the subject, "Assessment rate recommendations for CY 2026 for the Self-Insured Employer Adjustment Reserve, the Self-Insured Employer Group Adjustment Reserve Public-Sector subaccount, and the Self-Insured Employer Group Adjustment Reserve Private-Sector subaccount."

DCBS Fund Balance Policy

The 9.8 percent assessment rate produces an ending balance for PAOA that complies with DCBS policy FIN-01, which governs acceptable fund balances. FIN-01 requires that assessments and fees be set at a rate that:

- Meets the cash flow needs of the account
- Accommodates the timing of receipts and expenditures
- Ensures stable funding for legislatively approved programs and services during uncertain economic times
- Minimizes the volatility of fees and assessments

Within these guidelines, we developed our recommendation for the workers' compensation premium assessment rate for CY 2026. For years beyond 2026, we have assumed that the assessment rate remains the same.

Multiple-Year Rate Analysis for Planning

DCBS analyzes the outcomes of several rates to estimate the future adequacy of the fund and to ensure it complies with the DCBS fund balance policy. The effect of maintaining the assessment rate at 9.8 percent through FY 2031 is presented in the following table. It should be noted that these rates are used for planning purposes and are not a recommendation as to what those rates should be.

At the end of FY 2025, PAOA had a fund balance of \$159.0 million and a coverage ratio of 6.54 quarters. We forecast that total revenue will average about \$113.8 million per year at the recommended assessment rate through FY 2031. We forecast that the fund balance will be \$68.6 million at the end of FY 2031.

PAOA Financial Outcomes Assuming 9.8% Assessment Each Year

	2023-2025 biennium		2025-2027 biennium		2027-2029 biennium		2029-2031 biennium	
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$115,044,897	\$114,310,701	\$114,131,116	\$111,759,902	\$114,669,375	\$114,377,729	\$114,049,762	\$113,851,113
Expenditures & Transfers	\$91,054,928	\$96,492,616	\$116,499,757	\$117,460,725	\$124,882,847	\$127,327,700	\$131,099,393	\$134,982,912
Excess/(Deficit)	\$23,989,969	\$17,818,085	(\$2,368,641)	(\$5,700,824)	(\$10,213,472)	(\$12,949,970)	(\$17,049,632)	(\$21,131,800)
Ending Fund Balance	\$147,052,260	\$159,025,573	\$153,976,674	\$144,696,812	\$130,862,779	\$114,237,268	\$93,472,962	\$68,586,917
Coverage Ratio	6.05	6.54	5.13	4.82	4.03	3.52	2.88	2.11

This outcome is subject to much uncertainty. This uncertainty arises from many factors, including unanticipated changes to Oregon's economy, legislative programmatic changes that affect the workers' compensation system, or changes in insurance industry behaviors.

PAOA Assessment Summary

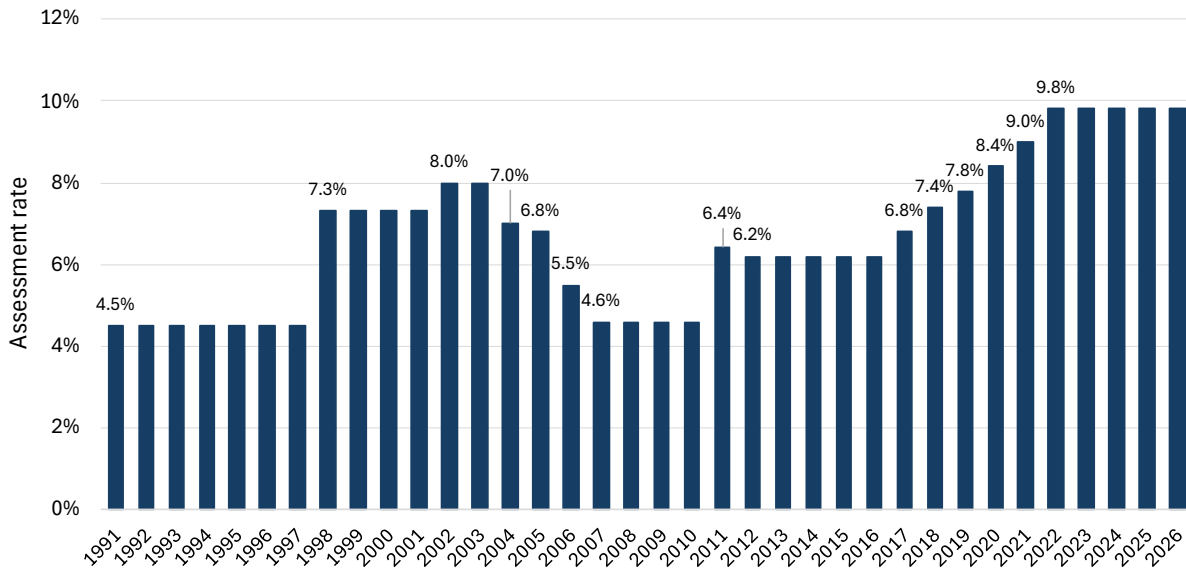
The Premium Assessment Operating Account (PAOA) funds the DCBS program areas that regulate the workers' compensation system:

1. Workers' Compensation Division (WCD)
2. Workers' Compensation Board (WCB)
3. Oregon OSHA
4. Ombuds for Oregon Workers (OOW)
5. Small Business Ombudsman (SBO)
6. Central Services supporting these areas

The primary funding mechanism for the PAOA is the workers' compensation premium assessment. The department establishes the assessment rate in accordance with ORS 656, OARs 440-045-0010 through 440-045-0020, and OAR 440-045-0030. The OAR 440 rules were first adopted in October 1999 as required by Senate Bill 592, which was passed during the 70th Legislative Assembly. In part, the OAR codifies the assessment rates for a calendar year. The PAOA is also funded by fines and penalties, federal grants, investment income, and other miscellaneous revenues.

The following table shows the PAOA assessment rate history and the 2026 recommendation.

PAOA Assessment Rates



Forecast Assumptions

The primary revenue, expenditure, and transfer assumptions used in this analysis are described below.

Revenue assumptions include:

1. Maintain the assessment rate at 9.8 percent effective Jan. 1, 2026.
2. Actual revenue data through June 30, 2025.
3. Assessable premium forecasts based on the August 2025 Office of Economic Analysis baseline forecast.
4. The impact of the National Council on Compensation Insurance's (NCCI) proposed reduction of pure premium rates by 3.3 percent for CY 2026¹.
5. Base federal grant revenue for Oregon OSHA totaling about \$6.4 million each year.
6. Penalty revenue earned of about \$5.4 million in FY 2026, with a 1 percent annual increase thereafter.
7. Estimates of investment income based on the latest information from the State Treasurer's Office.
8. Estimates of other revenues based on the most recent year's revenues increased at one percent each year.

Expenditure and transfer assumptions include:

1. Actual expenditure and transfer data through June 30, 2025.
2. Policy option package approvals for Workers' Compensation Division (WCD) and Workers' Compensation Board (WCB) modernization, Oregon OSHA, and OOW totaling about \$19.3 million in expenditures for the 2025-27 biennium.
3. Additional projected staff expenses as a result of the Service Employees International Union (SEIU) 503 tentative collective bargaining agreement.

¹ This is the 13th year of consecutive pure premium rate reductions. We assume, after CY 2026, that CY 2027 will also have a reduction of 3.3 percent. Please note that NCCI did not factor COVID-19 claims into its calculation of the pure premium rate change.

4. Projected payments to the Oregon Institute of Occupational Health Sciences (OIOHS) of \$2.0 million in FY 2026.
5. Payments to the Bureau of Labor and Industries (BOLI) of \$535,000 per year for enforcement of anti-discrimination laws.
6. Annual transfers to the Division of Financial Regulation for insurance regulation related to workers' compensation.
7. Updated estimates of the transfers to the Workers' Benefit Fund (WBF) for the Non-Complying Employer Program expenditures.
8. The latest estimates of chargeback.

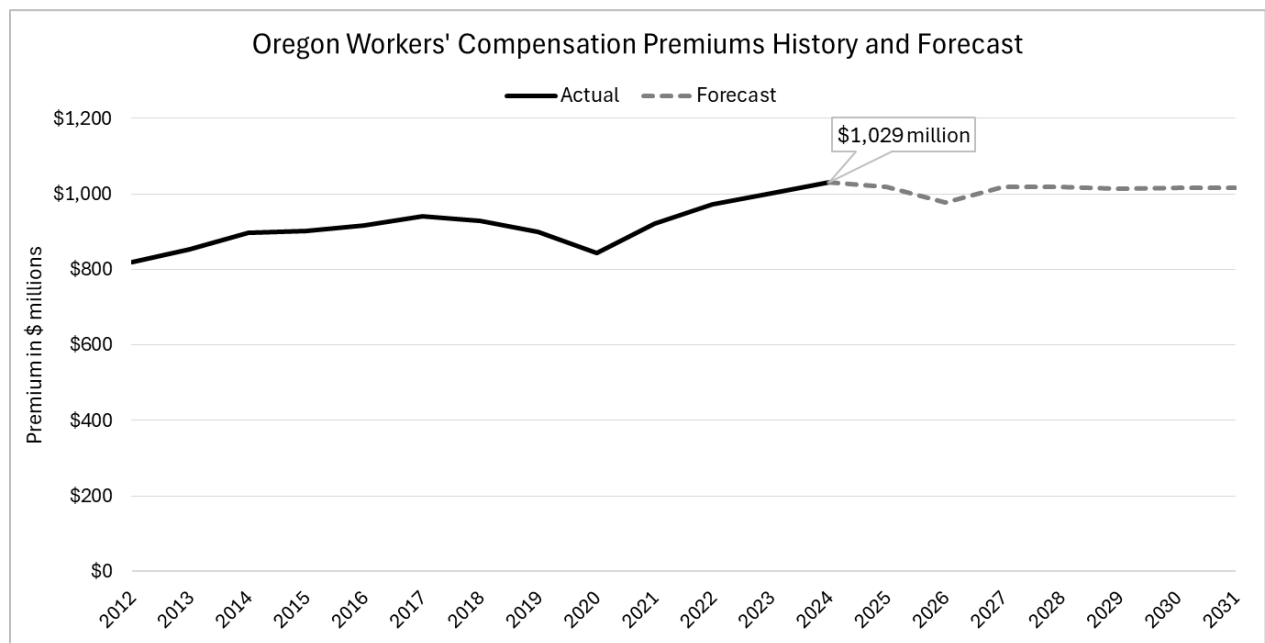
Workers' Compensation Premium Forecast

The workers' compensation premium forecast is developed using the loss cost multiplier, the pure premium rate, and wages and salaries in Oregon. These inputs are gathered from a variety of sources, including the Office of Economic Analysis (OEA) August 2025 Oregon Economic and Revenue Forecast, the biennial rate ranking study, and the NCCI.

NCCI filed a reduction in pure premium rates of 3.3 percent for policy year 2026. This is the 13th-straight year of decreases. These declines are not unique to Oregon. For the past several years, NCCI has reported reductions in most of the states for which it provides ratemaking services. Note: NCCI did not consider COVID-19 workers' compensation claims when developing this rate change.

We assume that the 3.3 percent reduction in pure premium repeats for the 2027 policy year. After 2027, we assume no change in the pure premium rate.

The following graph shows actual workers' compensation premium from CY 2012 through CY 2024 and forecast premium through CY 2031.

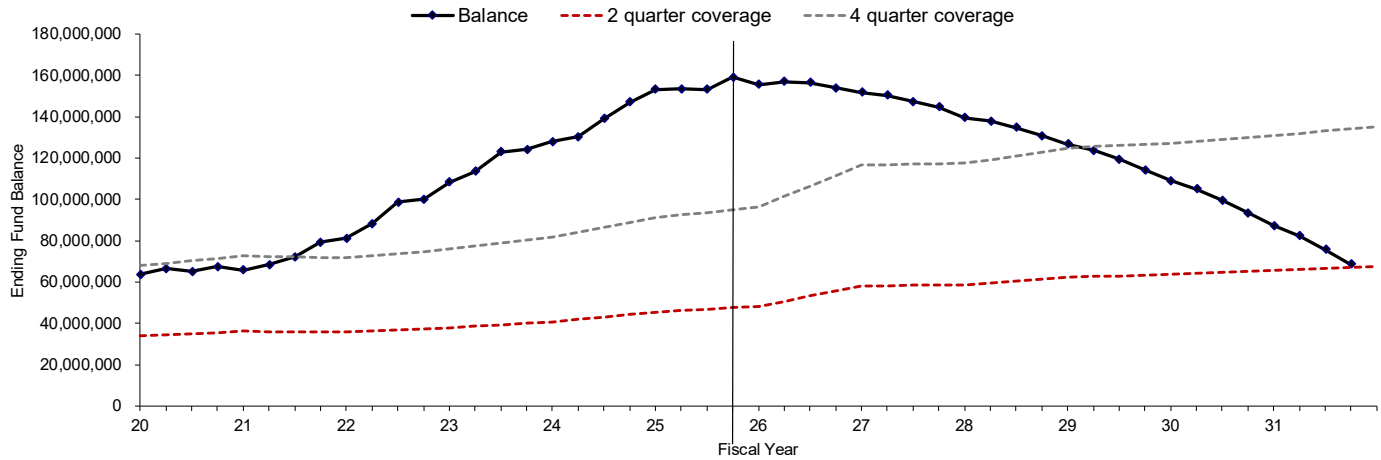


PAOA Forecast Outcomes

Under the baseline OEA forecast and the recommended assessment rate of 9.8 percent, total revenue is forecast to average \$113.8 million a year over the next five years. The fund balance is forecast to decrease each year through FY 2031. In FY 2031, assuming no changes are made to the rate, we expect an ending fund balance of about \$68.6 million and a coverage ratio of 2.11 quarters.

Appendix 1 – PAOA Financial Outcomes

WORKERS' COMPENSATION PREMIUM ASSESSMENT OPERATING ACCOUNT REVENUES, EXPENSES, FUND BALANCES, AND COVERAGE RATIOS FISCAL YEARS 2020-2031; ACTUAL DATA THROUGH 06/30/2025 9.8% ASSESSMENT RATE EFFECTIVE 1/1/2026



Period Ending	Assessment Income	Investment Income	Total Revenue	Total Expenses	Expenses	Chargeback	Excess (Deficit)	Transfers/ Adjustments	Ending Fund Balance	Coverage Ratio
FY 2020	\$71,151,323	\$1,404,515	\$80,461,141	\$72,612,047	\$62,032,749	\$10,579,298	\$7,849,094	(\$2,933,691)	\$67,587,963	
FY 2021	\$71,975,351	\$543,929	\$80,294,337	\$71,774,978	\$60,469,290	\$11,305,688	\$8,519,358	\$3,099,183	\$79,206,504	
FY 2022	\$87,345,441	\$316,766	\$96,026,335	\$75,968,156	\$64,348,889	\$11,619,267	\$20,058,179	\$867,902	\$100,132,585	
FY 2023	\$95,608,731	\$1,712,351	\$107,859,512	\$81,686,557	\$68,807,950	\$12,878,606	\$26,172,955	(\$2,054,220)	\$124,251,321	
09/30/23	23,891,784	703,775	27,675,050	22,632,958	19,016,352	3,616,607	5,042,092	(1,307,843)	127,985,570	5.26
12/31/23	25,132,043	753,459	27,549,603	25,435,193	22,040,526	3,394,667	2,114,410	261,804	130,361,784	5.36
03/31/24	25,209,334	791,741	30,617,371	21,468,155	16,998,271	4,469,884	9,149,216	(472,719)	139,038,281	5.72
06/30/24	25,188,875	848,532	29,202,872	21,518,621	18,560,128	2,958,494	7,684,251	329,728	147,052,260	6.05
FY 2024	\$99,422,036	\$3,097,507	\$115,044,897	\$91,054,928	\$76,615,276	\$14,439,652	\$23,989,969	(\$1,189,030)	\$147,052,260	
09/30/24	25,384,931	888,794	28,874,606	20,418,006	20,418,006	0	8,456,600	(2,223,943)	153,284,917	6.30
12/31/24	25,065,835	857,149	28,263,283	26,782,476	17,753,914	9,028,562	1,480,807	(1,234,765)	153,530,959	6.31
03/31/25	25,168,737	882,036	28,071,318	27,151,680	22,936,642	4,215,038	919,638	(1,236,895)	153,213,702	6.30
06/30/25	25,056,236	769,639	29,101,495	22,140,454	22,140,454	0	6,961,041	(1,149,170)	159,025,573	6.54
FY 2025	\$100,675,740	\$3,397,618	\$114,310,701	\$96,492,616	\$83,249,016	\$13,243,600	\$17,818,085	(\$5,844,773)	\$159,025,573	
09/30/25	24,704,845	1,090,848	28,803,769	32,353,545	22,467,111	9,886,434	(3,549,775)	43,786	155,519,583	5.18
12/31/25	25,693,038	1,082,205	29,783,320	27,410,328	22,467,111	4,943,217	2,372,993	(804,797)	157,087,779	5.23
03/31/26	24,704,845	1,035,657	28,748,578	28,204,619	23,130,666	5,073,953	543,959	(1,107,362)	156,524,376	5.21
06/30/26	22,778,062	1,009,310	26,795,448	28,531,265	23,457,312	5,073,953	(1,735,817)	(811,885)	153,976,674	5.13
FY 2026	\$97,880,789	\$4,218,019	\$114,131,116	\$116,499,757	\$91,522,199	\$24,977,558	(\$2,368,641)	(\$2,680,258)	\$153,976,674	
09/30/26	23,727,148	984,000	27,733,305	29,189,543	24,115,590	5,073,953	(1,456,238)	(826,093)	151,694,343	5.05
12/31/26	24,676,233	964,155	28,662,546	29,189,543	24,115,590	5,073,953	(526,997)	(811,885)	150,355,461	5.01
03/31/27	23,727,148	921,106	27,670,411	29,582,502	24,403,724	5,178,778	(1,912,091)	(1,122,057)	147,321,314	4.91
06/30/27	23,758,610	912,871	27,693,640	29,499,137	24,403,724	5,095,414	(1,805,498)	(819,005)	144,696,812	4.82
FY 2027	\$95,889,139	\$3,782,132	\$111,759,902	\$117,460,725	\$97,038,627	\$20,422,098	(\$5,700,824)	(\$3,579,039)	\$144,696,812	
09/30/27	24,748,553	912,173	28,697,105	32,974,046	26,990,021	5,984,025	(4,276,941)	(833,277)	139,586,594	4.30
12/31/27	25,738,495	903,338	29,678,212	30,529,393	25,118,506	5,410,887	(851,181)	(819,005)	137,916,408	4.25
03/31/28	24,748,553	874,597	28,659,529	30,689,704	25,122,055	5,567,649	(2,030,176)	(1,142,123)	134,744,109	4.15
06/30/28	23,717,168	880,983	27,634,530	30,689,704	25,122,055	5,567,649	(3,055,174)	(826,157)	130,862,779	4.03
FY 2028	\$98,952,768	\$3,571,090	\$114,669,375	\$124,882,847	\$102,352,637	\$22,530,210	(\$10,213,472)	(\$3,620,561)	\$130,862,779	
09/30/28	24,705,384	880,633	28,636,760	31,830,330	25,934,186	5,896,144	(3,193,571)	(840,493)	126,828,715	3.91
12/31/28	25,693,599	878,866	29,623,208	31,830,330	25,934,186	5,896,144	(2,207,122)	(826,157)	123,795,437	3.82
03/31/29	24,705,384	840,226	28,596,353	31,833,520	25,937,376	5,896,144	(3,237,166)	(1,175,550)	119,382,720	3.68
06/30/29	23,646,091	824,575	27,521,409	31,833,520	25,937,376	5,896,144	(4,312,111)	(833,341)	114,237,268	3.52
FY 2029	\$98,750,457	\$3,424,300	\$114,377,729	\$127,327,700	\$103,743,124	\$23,584,576	(\$12,949,970)	(\$3,675,541)	\$114,237,268	
09/30/29	24,631,345	809,521	28,506,117	32,773,081	26,700,053	6,073,028	(4,266,965)	(847,742)	109,122,562	3.36
12/31/29	25,616,598	843,971	29,525,820	32,773,081	26,700,053	6,073,028	(3,247,262)	(833,341)	105,041,959	3.24
03/31/30	24,631,345	792,092	28,488,687	32,776,615	26,703,587	6,073,028	(4,287,928)	(1,193,034)	99,560,997	3.07
06/30/30	23,687,063	776,825	27,529,138	32,776,615	26,703,587	6,073,028	(5,247,477)	(840,558)	93,472,962	2.88
FY 2030	\$98,566,350	\$3,222,409	\$114,049,762	\$131,099,393	\$106,807,281	\$24,292,113	(\$17,049,632)	(\$3,714,674)	\$93,472,962	
09/30/30	24,674,024	758,916	28,512,842	33,744,364	27,489,145	6,255,219	(5,231,522)	(855,024)	87,386,417	2.69
12/31/30	25,660,984	743,358	29,484,246	33,744,364	27,489,145	6,255,219	(4,260,119)	(840,558)	82,285,741	2.54
03/31/31	24,674,024	681,395	28,435,321	33,747,092	27,491,873	6,255,219	(5,311,771)	(1,210,857)	75,763,113	2.34
06/30/31	23,680,054	658,747	27,418,704	33,747,092	27,491,873	6,255,219	(6,328,389)	(847,807)	68,586,917	2.11
FY 2031	\$98,689,085	\$2,842,415	\$113,851,113	\$134,982,912	\$109,962,036	\$25,020,876	(\$21,131,800)	(\$3,754,245)	\$68,586,917	

Appendix 2 – PAOA Detailed Financial Outcomes

Workers' Compensation Premium Assessment Operating Account
Revenue, Expenditures, Transfers, And Fund Balances
Fiscal Years 2024-2031; Actual Data Through 6/30/2025
9.8% Assessment Rate Effective 1/1/2026

REVENUES	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Assessments	99,422,036	100,675,740	97,880,789	95,889,139	98,952,768	98,750,457	98,566,350	98,689,085
Fines and Penalties	2,490,721	5,314,664	5,367,810	5,421,489	5,475,703	5,530,461	5,585,765	5,641,623
Investment Income	3,097,507	3,397,618	4,218,019	3,782,132	3,571,090	3,424,300	3,222,409	2,842,415
Federal Funds	9,857,623	4,660,801	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000
Other	177,010	261,879	264,498	267,143	269,814	272,512	275,237	277,990
Total Revenue	\$115,044,897	\$114,310,701	\$114,131,116	\$111,759,902	\$114,669,375	\$114,377,729	\$114,049,762	\$113,851,113
EXPENDITURES								
Administration	74,650,263	81,308,055	89,519,158	95,016,465	100,313,330	101,690,340	104,741,050	107,883,282
Chargeback	14,439,652	13,243,600	24,977,558	20,422,098	22,530,210	23,584,576	24,292,113	25,020,876
Oregon Health Sciences University	1,965,013	1,940,961	2,003,041	2,022,162	2,039,308	2,052,784	2,066,230	2,078,755
Total Expenditures	\$91,054,928	\$96,492,616	\$116,499,757	\$117,460,725	\$124,882,847	\$127,327,700	\$131,099,393	\$134,982,912
ADJUSTMENTS/TRANSFERS								
Non-Complying Employer	(2,084,378)	(5,450,941)	(1,849,780)	(2,740,987)	(2,769,595)	(2,798,331)	(2,827,198)	(2,856,195)
DFR for workers' comp. regulation	(148,414)	(291,078)	(295,477)	(303,052)	(315,966)	(342,210)	(352,476)	(363,050)
BOLI Transfer	(323,000)	(335,455)	(535,000)	(535,000)	(535,000)	(535,000)	(535,000)	(535,000)
Misc Transfers/Adjustments	1,366,762	232,701	0	0	0	0	0	0
Total Transfers	(\$1,189,030)	(\$5,844,773)	(\$2,680,258)	(\$3,579,039)	(\$3,620,561)	(\$3,675,541)	(\$3,714,674)	(\$3,754,245)
Net Cash Flow	\$22,800,939	\$11,973,312	(\$5,048,899)	(\$9,279,862)	(\$13,834,033)	(\$16,625,512)	(\$20,764,306)	(\$24,886,045)
Ending Fund Balance	\$147,052,260	\$159,025,573	\$153,976,674	\$144,696,812	\$130,862,779	\$114,237,268	\$93,472,962	\$68,586,917
Balance Coverage Ratio	6.05	6.54	5.13	4.82	4.03	3.52	2.88	2.11