DCBS | Department of Consumer and Business Services

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# Memo

**Exhibit "1"**

To: Sean O'Day, Director
Alana Cox, Deputy Director
Matt West, Administrator, Workers' Compensation Division
Lane Foulger, Chief Financial Officer, Central Services Division

From: Kelli Borushko, Senior Economist, Central Services Division

Date: September 4, 2026

Subject: Workers' Compensation Premium Assessment Rate Recommendation for CY 2027

# Message

## 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) 2027 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 rulemaking hearing on Sept. 17, 2026, and solicit testimony from staff and interested parties.

**DCBS recommends 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 2027.**

Self-insured employers and self-insured employer groups are subject to an additional assessment that is discussed in a separate memorandum dated Sept. 4, 2026, with the subject, "Assessment rate recommendations for CY 2027 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 the Premium Assessment Operating Account (PAOA) that complies with DCBS policy FIN-01, which governs acceptable fund balances, by fiscal year (FY) 2029. 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 2027. For years beyond 2027, 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 ensure it complies with the DCBS fund balance policy. The effect of maintaining the assessment rate at 9.8 percent through FY 2033 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 2026, PAOA had a fund balance of $168.3 million and a coverage ratio of 5.49 quarters. We forecast that total revenue will average about $126.5 million per year at the recommended assessment rate through FY 2033. We forecast that the fund balance will be $79.0 million at the end of FY 2033.

PAOA Financial Outcomes Assuming 9.8% Assessment Each Year

| | 2023-2025 biennium | | 2025-2027 biennium | | 2027-2029 biennium | | 2029-2031 biennium | | 2031-2033 biennium | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 | FY 2033 |
| Revenues | $115,044,897 | $114,310,701 | $119,062,899 | $120,416,705 | $125,119,236 | $128,399,918 | $128,500,221 | $128,054,768 | $127,636,027 | $127,029,407 |
| Expenditures & Transfers | $91,054,928 | $96,492,616 | $108,564,859 | $130,605,427 | $132,323,214 | $135,182,251 | $130,472,572 | $134,339,703 | $138,319,798 | $142,416,747 |
| Excess/(Deficit) | $23,989,969 | $17,818,085 | $10,498,040 | ($10,188,722) | ($7,203,978) | ($6,782,333) | ($1,972,351) | ($6,284,935) | ($10,683,771) | ($15,387,340) |
| Ending Fund Balance | $147,052,260 | $159,025,573 | $168,260,688 | $153,463,451 | $142,163,308 | $131,189,377 | $124,897,973 | $114,200,348 | $98,992,184 | $78,967,026 |
| Coverage Ratio | 6.05 | 6.54 | 5.49 | 5.01 | 4.12 | 3.81 | 3.65 | 3.34 | 2.90 | 2.31 |

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.

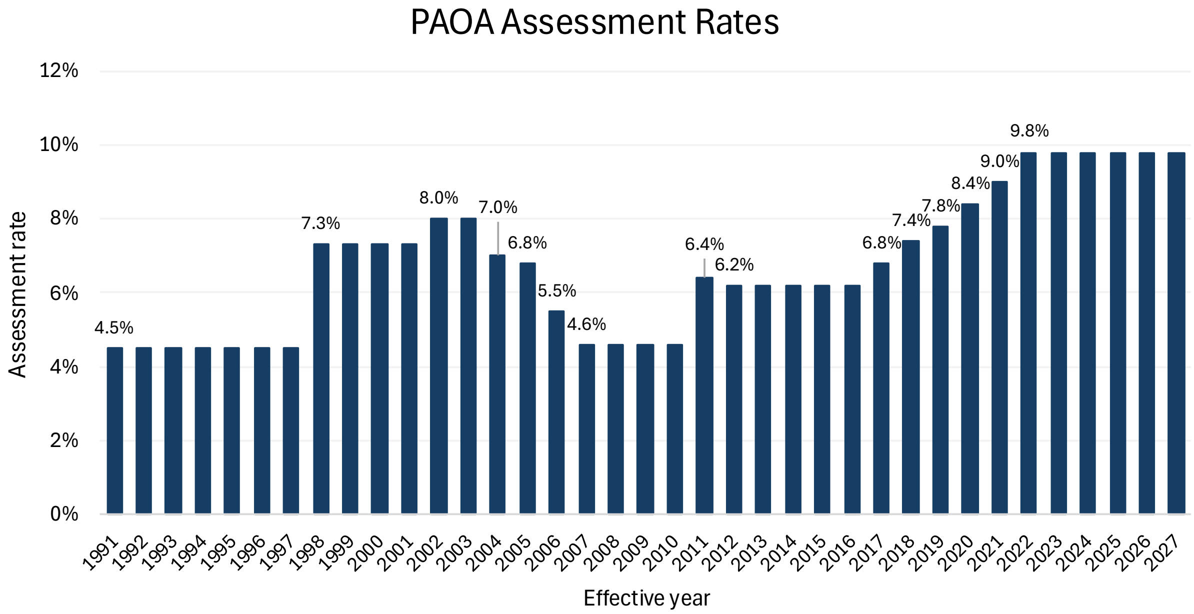
# PAOA Assessment Summary

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 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. 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 2027 recommendation.




# 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, 2027.
2. Actual revenue data through June 30, 2026.
3. Assessable premium forecasts based on the August 2026 Office of Economic Analysis (OEA) baseline forecast.
4. The impact of the National Council on Compensation Insurance's (NCCI) proposed increase of pure premium rates by 2.1 percent for CY 2027[1].

[1] Increases this year are a direct result of Senate Bill (SB) 1519, which increased weekly lost-time wage compensation benefits from 66 2/3% of the state average weekly wage (SAWW) to 75% of the SAWW, effective Jan. 1, 2027. We assume, after CY 2027, that CY 2028 will also have an increase in pure premium rates of 2.1 percent.

5. Base federal grant revenue for Oregon OSHA totaling about $6.7 million each year.
6. Penalty revenue earned of about $5.5 million in FY 2027, with a 1 percent annual increase thereafter.
7. Estimates of investment income based on the latest information from the Oregon State Treasury.
8. Estimates of other revenues based on the most recent year's revenues increased at 1 percent each year.

### Expenditure and transfer assumptions include:

1. Actual expenditure and transfer data through June 30, 2026.
2. Estimated Workers' Compensation Division (WCD) and Workers' Compensation Board (WCB) modernization costs for implementation totaling about $22.6 million for the 2027-29 biennium, plus additional software maintenance costs of about $3 million per year.
3. Projected payments to the Oregon Institute of Occupational Health Sciences (OIOHS) of $2.0 million in FY 2027.
4. Payments to the Bureau of Labor and Industries (BOLI) of $450,000 per year for enforcement of anti-discrimination laws.
5. Annual transfers to the Division of Financial Regulation for insurance regulation related to workers' compensation.
6. Updated estimates of the transfers to the Workers' Benefit Fund (WBF) for the Non-Complying Employer Program expenditures.
7. The latest estimates of chargeback.

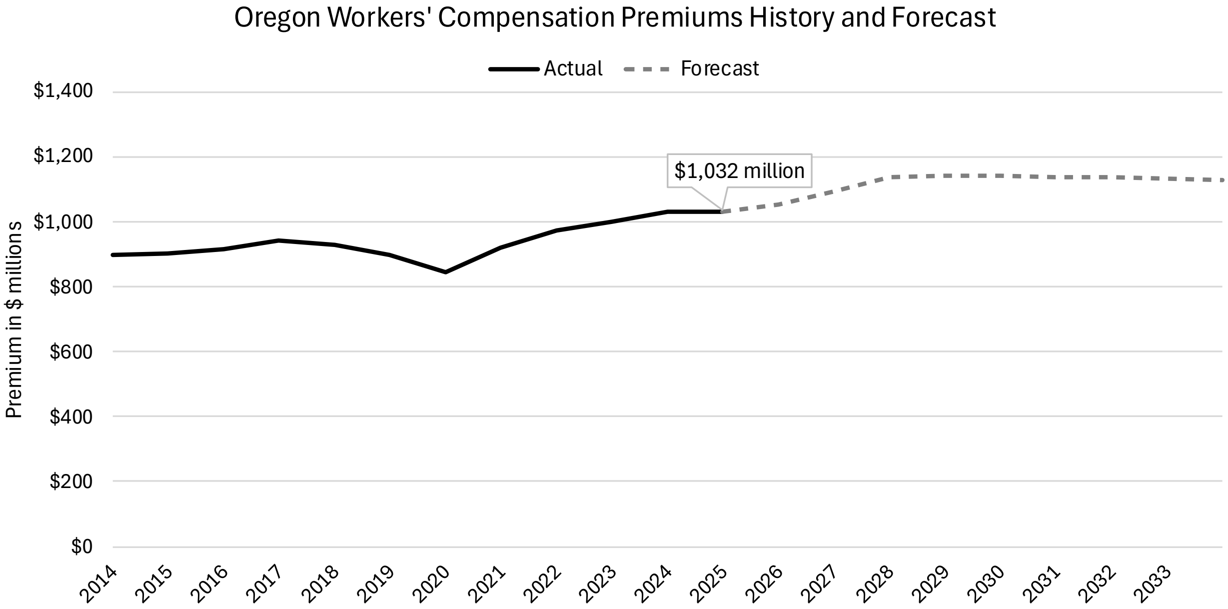
## Workers' Compensation Premium Forecast

The workers' compensation premium forecast is based on historical insurer premium earned and uses wage and salary projections from OEA's August 2026 Economic and Revenue Forecast and NCCI's loss cost multiplier estimate for CY 2027 to project future earned premium.

NCCI filed an increase in pure premium rates of 2.1 percent for policy year 2027. For the past several years, NCCI has reported reductions in most of the states for which it provides ratemaking services. This year in Oregon, however, Senate Bill (SB) 1519 (2026) modified weekly lost-time wage compensation benefits. Under current law, benefits are paid at 66 2/3 percent of the State Average Weekly Wage (SAWW). Effective Jan. 1, 2027, the weekly compensation rate for wages up to 75 percent of the SAWW will increase to 75 percent, while the compensation rate for wages exceeding 75 percent of the SAWW will decrease to 65 percent. NCCI projects that this change will increase overall loss cost and assigned risk rates 3.5 percent in Oregon. This projected increase in the overall loss cost and assigned risk rates resulted in NCCI's pure premium projection for Oregon to be an increase of 2.1 percent. If this bill did not pass, NCCI projected a decrease in the pure premium rate of 1.4 percent.

We assume that the 2.1 percent increase in pure premium repeats for the 2028 policy year. After 2028, we assume no change in the pure premium rate.

The following graph shows actual workers' compensation premium from CY 2014 through CY 2025 and forecasts premium through CY 2033. Workers' compensation CY 2025 premium written in Oregon totaled $1,032 million.

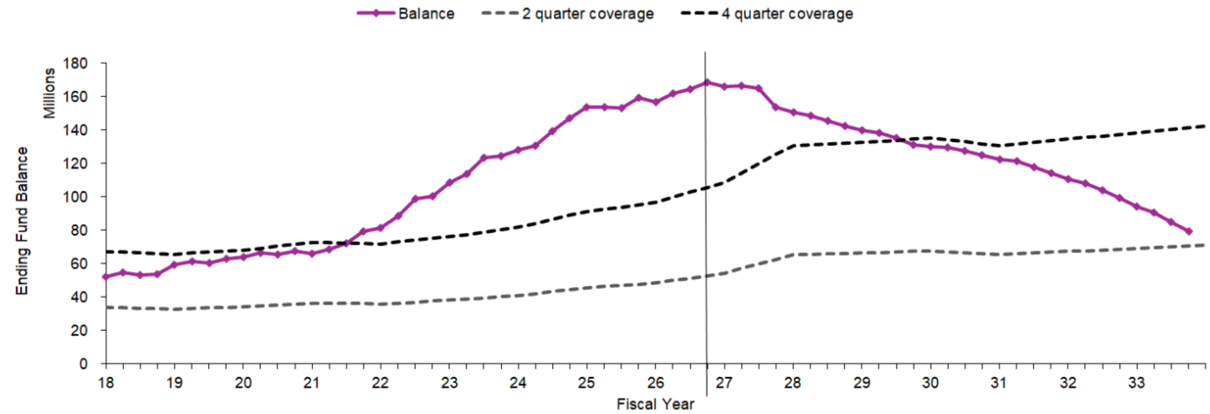



# PAOA Forecast Outcomes

Under the baseline OEA forecast and the recommended assessment rate of 9.8 percent, total revenue is forecast to average $126.5 million a year over the next seven years. The fund balance is forecast to decrease each year through FY 2033. In FY 2033, assuming no changes are made to the rate, we expect an ending fund balance of about $79.0 million and a coverage ratio of 2.31 quarters.

# Appendix 1 – PAOA Financial Outcomes

**WORKERS' COMPENSATION PREMIUM ASSESSMENT OPERATING ACCOUNT**
**REVENUES, EXPENSES, FUND BALANCES, AND COVERAGE RATIOS**
**FISCAL YEARS 2018-2033; ACTUAL DATA THROUGH 06/30/2026**
**9.8% ASSESSMENT RATE EFFECTIVE 1/1/2027**




| Period Ending | Assessment Income | Investment Income | Total Revenue | Total Expenses | Expenses | Chargeback | Excess (Deficit) | Transfers/ Adjustments | Ending Fund Balance | Coverage Ratio |
|---|---|---|---|---|---|---|---|---|---|---|
| FY 2018 | $64,263,208 | $681,365 | $72,029,115 | $65,616,966 | $56,495,419 | $9,121,547 | $6,412,149 | ($2,486,435) | $53,438,690 | |
| FY 2019 | $69,297,191 | $1,388,423 | $80,700,710 | $68,032,183 | $57,776,704 | $10,255,479 | $12,668,527 | ($3,434,658) | $62,672,559 | |
| 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 | |
| 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 | 25,741,662 | 707,530 | 28,847,827 | 31,774,246 | 22,685,164 | 9,089,082 | (2,926,419) | 541,354 | 156,640,507 | 5.11 |
| 12/31/25 | 25,358,237 | 650,846 | 31,024,890 | 25,924,019 | 20,856,490 | 5,067,529 | 5,100,871 | (284,403) | 161,456,976 | 5.27 |
| 03/31/26 | 25,731,278 | 690,828 | 29,753,467 | 26,189,453 | 21,586,574 | 4,602,879 | 3,564,014 | (971,640) | 164,049,350 | 5.36 |
| 06/30/26 | 25,145,652 | 677,781 | 29,436,714 | 24,677,140 | 20,052,200 | 4,624,940 | 4,759,573 | (548,236) | 168,260,688 | 5.49 |
| FY 2026 | $101,976,829 | $2,726,985 | $119,062,899 | $108,564,859 | $85,180,429 | $23,384,430 | $10,498,040 | ($1,262,925) | $168,260,688 | |
| 09/30/26 | 25,558,351 | 1,039,010 | 29,876,933 | 30,952,783 | 25,469,883 | 5,482,900 | (1,075,850) | (1,585,547) | 165,599,291 | 5.41 |
| 12/31/26 | 26,580,685 | 1,022,576 | 30,882,833 | 29,158,674 | 23,977,928 | 5,180,746 | 1,724,160 | (859,662) | 166,463,788 | 5.43 |
| 03/31/27 | 25,558,351 | 1,027,914 | 29,865,837 | 30,447,463 | 25,119,605 | 5,327,859 | (581,626) | (1,303,642) | 164,578,520 | 5.37 |
| 06/30/27 | 25,495,257 | 1,016,272 | 29,791,101 | 40,046,508 | 34,238,031 | 5,808,477 | (10,255,406) | (859,662) | 153,463,451 | 5.01 |
| FY 2027 | $103,192,644 | $4,105,772 | $120,416,705 | $130,605,427 | $108,805,446 | $21,799,981 | ($10,188,722) | ($4,608,514) | $153,463,451 | |
| 09/30/27 | 26,557,559 | 947,637 | 31,038,499 | 33,080,803 | 27,019,976 | 6,060,827 | (2,042,304) | (926,836) | 150,494,312 | 4.37 |
| 12/31/27 | 27,619,861 | 929,302 | 32,082,467 | 33,080,803 | 27,019,976 | 6,060,827 | (998,336) | (882,053) | 148,613,922 | 4.31 |
| 03/31/28 | 26,557,559 | 917,691 | 31,008,553 | 33,080,803 | 27,019,976 | 6,060,827 | (2,072,250) | (1,405,223) | 145,136,449 | 4.21 |
| 06/30/28 | 26,560,195 | 896,218 | 30,989,716 | 33,080,803 | 27,019,976 | 6,060,827 | (2,091,087) | (882,053) | 142,163,308 | 4.12 |
| FY 2028 | $107,295,175 | $3,690,848 | $125,119,236 | $132,323,214 | $108,079,905 | $24,243,309 | ($7,203,978) | ($4,096,165) | $142,163,308 | |
| 09/30/28 | 27,666,870 | 877,858 | 32,094,145 | 33,795,563 | 27,734,736 | 6,060,827 | (1,701,418) | (950,087) | 139,511,804 | 4.05 |
| 12/31/28 | 28,773,545 | 861,485 | 33,184,447 | 33,795,563 | 27,734,736 | 6,060,827 | (611,116) | (904,731) | 137,995,957 | 4.00 |
| 03/31/29 | 27,666,870 | 852,125 | 32,068,412 | 33,795,563 | 27,734,736 | 6,060,827 | (1,727,151) | (1,432,050) | 134,836,756 | 3.91 |
| 06/30/29 | 26,670,880 | 832,617 | 31,052,914 | 33,795,563 | 27,734,736 | 6,060,827 | (2,742,649) | (904,731) | 131,189,377 | 3.81 |
| FY 2029 | $110,778,165 | $3,424,086 | $128,399,918 | $135,182,251 | $110,938,942 | $24,243,309 | ($6,782,333) | ($4,191,599) | $131,189,377 | |
| 09/30/29 | 27,782,167 | 810,094 | 32,153,893 | 32,618,143 | 26,375,491 | 6,242,652 | (464,250) | (973,635) | 129,751,492 | 3.79 |
| 12/31/29 | 28,893,454 | 801,215 | 33,256,301 | 32,618,143 | 26,375,491 | 6,242,652 | 638,158 | (927,699) | 129,461,951 | 3.79 |
| 03/31/30 | 27,782,167 | 799,428 | 32,143,227 | 32,618,143 | 26,375,491 | 6,242,652 | (474,917) | (1,490,020) | 127,497,014 | 3.73 |
| 06/30/30 | 26,597,874 | 787,294 | 30,946,800 | 32,618,143 | 26,375,491 | 6,242,652 | (1,671,343) | (927,699) | 124,897,973 | 3.65 |
| FY 2030 | $111,055,662 | $3,198,031 | $128,500,221 | $130,472,572 | $105,501,965 | $24,970,608 | ($1,972,351) | ($4,319,053) | $124,897,973 | |
| 09/30/30 | 27,706,119 | 771,245 | 32,046,738 | 33,584,926 | 27,154,994 | 6,429,931 | (1,538,188) | (997,485) | 122,362,299 | 3.58 |
| 12/31/30 | 28,814,364 | 755,587 | 33,139,325 | 33,584,926 | 27,154,994 | 6,429,931 | (445,601) | (950,961) | 120,965,737 | 3.54 |
| 03/31/31 | 27,706,119 | 746,963 | 32,022,456 | 33,584,926 | 27,154,994 | 6,429,931 | (1,562,470) | (1,513,282) | 117,889,985 | 3.45 |
| 06/30/31 | 26,548,906 | 727,971 | 30,846,250 | 33,584,926 | 27,154,994 | 6,429,931 | (2,738,676) | (950,961) | 114,200,348 | 3.34 |
| FY 2031 | $110,775,507 | $3,001,766 | $128,054,768 | $134,339,703 | $108,619,977 | $25,719,726 | ($6,284,935) | ($4,412,689) | $114,200,348 | |
| 09/30/31 | 27,655,110 | 705,187 | 31,950,492 | 34,579,949 | 27,957,120 | 6,622,829 | (2,629,457) | (1,021,640) | 110,549,251 | 3.23 |
| 12/31/31 | 28,761,314 | 682,642 | 33,034,151 | 34,579,949 | 27,957,120 | 6,622,829 | (1,545,798) | (974,521) | 108,028,931 | 3.16 |
| 03/31/32 | 27,655,110 | 667,079 | 31,912,384 | 34,579,949 | 27,957,120 | 6,622,829 | (2,667,566) | (1,553,711) | 103,807,654 | 3.04 |
| 06/30/32 | 26,507,793 | 641,012 | 30,739,000 | 34,579,949 | 27,957,120 | 6,622,829 | (3,840,950) | (974,521) | 98,992,184 | 2.90 |
| FY 2032 | $110,579,327 | $2,695,920 | $127,636,027 | $138,319,798 | $111,828,480 | $26,491,318 | ($10,683,771) | ($4,524,394) | $98,992,184 | |
| 09/30/32 | 27,612,284 | 611,277 | 31,821,783 | 35,604,187 | 28,782,672 | 6,821,514 | (3,782,404) | (1,046,105) | 94,163,675 | 2.75 |
| 12/31/32 | 28,716,775 | 581,461 | 32,896,458 | 35,604,187 | 28,782,672 | 6,821,514 | (2,707,728) | (998,382) | 90,457,564 | 2.65 |
| 03/31/33 | 27,612,284 | 558,575 | 31,769,082 | 35,604,187 | 28,782,672 | 6,821,514 | (3,835,105) | (1,594,948) | 85,027,511 | 2.49 |
| 06/30/33 | 26,418,816 | 525,045 | 30,542,084 | 35,604,187 | 28,782,672 | 6,821,514 | (5,062,103) | (998,382) | 78,967,026 | 2.31 |
| FY 2033 | $110,360,160 | $2,276,358 | $127,029,407 | $142,416,747 | $115,130,690 | $27,286,057 | ($15,387,340) | ($4,637,818) | $78,967,026 | |

# Appendix 2 – PAOA Detailed Financial Outcomes

Workers' Compensation Premium Assessment Operating Account
Revenue, Expenditures, Transfers, and Fund Balances
Fiscal Years 2025-2033; Actual Data Through 6/30/2026
9.8% Assessment Rate Effective 1/1/2027

| REVENUES | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 | FY 2033 |
|---|---|---|---|---|---|---|---|---|---|
| Assessments | 100,675,740 | 101,976,829 | 103,192,644 | 107,295,175 | 110,778,165 | 111,055,662 | 110,775,507 | 110,579,327 | 110,360,160 |
| Fines and Penalties | 5,314,664 | 5,462,390 | 5,517,014 | 5,572,184 | 5,627,906 | 5,684,185 | 5,741,027 | 5,798,437 | 5,856,421 |
| Investment Income | 3,397,618 | 2,726,985 | 4,105,772 | 3,690,848 | 3,424,086 | 3,198,031 | 3,001,766 | 2,695,920 | 2,276,358 |
| Federal Funds | 4,660,801 | 8,888,000 | 7,480,448 | 8,429,841 | 8,429,841 | 8,429,841 | 8,429,841 | 8,429,841 | 8,429,841 |
| Other | 261,879 | 8,695 | 120,828 | 131,188 | 139,920 | 132,502 | 106,627 | 132,502 | 106,627 |
| **Total Revenue** | $114,310,701 | $119,062,899 | $120,416,705 | $125,119,236 | $128,399,918 | $128,500,221 | $128,054,768 | $127,636,027 | $127,029,407 |
| **EXPENDITURES** | | | | | | | | | |
| Administration | 81,308,055 | 83,215,383 | 106,806,642 | 106,064,154 | 108,907,584 | 103,453,146 | 106,556,741 | 109,753,443 | 113,046,046 |
| Chargeback | 13,243,600 | 23,384,430 | 21,799,981 | 24,243,309 | 24,243,309 | 24,970,608 | 25,719,726 | 26,491,318 | 27,286,057 |
| Oregon Health Sciences University | 1,940,961 | 1,965,045 | 1,998,804 | 2,015,751 | 2,031,358 | 2,048,818 | 2,063,236 | 2,075,037 | 2,084,644 |
| **Total Expenditures** | $96,492,616 | $108,564,859 | $130,605,427 | $132,323,214 | $135,182,251 | $130,472,572 | $134,339,703 | $138,319,798 | $142,416,747 |
| **ADJUSTMENTS/TRANSFERS** | | | | | | | | | |
| Non-Complying Employer | (5,450,941) | (2,650,037) | (3,714,534) | (3,122,995) | (3,214,280) | (3,306,732) | (3,400,369) | (3,495,203) | (3,591,252) |
| DFR for workers' comp. regulation | (291,078) | (594,520) | (443,980) | (523,169) | (527,319) | (562,321) | (562,321) | (579,190) | (596,566) |
| BOLI Transfer | (335,455) | (434,790) | (450,000) | (450,000) | (450,000) | (450,000) | (450,000) | (450,000) | (450,000) |
| Misc Transfers/Adjustments | 232,701 | 2,416,423 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Transfers** | ($5,844,773) | ($1,262,925) | ($4,608,514) | ($4,096,165) | ($4,191,599) | ($4,319,053) | ($4,412,689) | ($4,524,394) | ($4,637,818) |
| Net Cash Flow | $11,973,312 | $9,235,115 | ($14,797,236) | ($11,300,143) | ($10,973,932) | ($6,291,404) | ($10,697,624) | ($15,208,165) | ($20,025,158) |
| **Ending Fund Balance** | **$159,025,573** | **$168,260,688** | **$153,463,452** | **$142,163,309** | **$131,189,377** | **$124,897,973** | **$114,200,349** | **$98,992,184** | **$78,967,026** |
| **Balance Coverage Ratio** | **6.54** | **5.49** | **5.01** | **4.12** | **3.81** | **3.65** | **3.34** | **2.90** | **2.31** |