

March 4, 2019

Diana Winther, Co-chair
Kimberly Wood, Co-chair
Management Labor Advisory Committee
350 Winter St. NE
Salem, OR 97301

Re: SAIF testimony
SB 3003

Dear Co-Chairs and MLAC committee member,

I am writing to provide some background Senate Bill 3003, which proposes changes to how self-insured employers or groups can re-enter the private insurance market. SAIF decided to file this bill after we had several recent inquiries from self-insured employers who were considering leaving self-insurance and buying a policy on the competitive market.

Currently, a self-insured employer must maintain a security deposit with DCBS as a claims reserve to cover the claims costs. This ensures a they have sufficient funds available to pay all claims costs for workers' claims without the State of Oregon paying for those claims. If a self-insured employer elects to leave self-insurance and purchase a workers' compensation policy from an insurer, it must leave that security deposit with DCBS. This is true even if the self-insured employer decides to purchase a policy for past claims (fully paid-up insurance) as well as any future claims for at least 62 months. SAIF agrees DCBS should maintain sufficient funds to avoid unpaid future liability; however, maintaining the security deposit while purchasing a fully paid-up policy is often cost-prohibitive for a self-insured entity to re-enter the insured market.

Several self-insured employers from across the state have taken steps to enter the competitive market but have been deterred due to the amount they would need to maintain on deposit—in one case more than \$3 million.

This bill would provide an additional option for businesses—at the discretion of the DCBS director. It would allow a self-insured entity to buy insurance coverage from a workers' comp insurance carrier to cover both future injuries as well as the continued costs from when they were self-insured, while releasing their deposited funds. This is more cost-effective for the entity, and ensures greater certainty of coverage for the injured workers.

Purchasing an insurance policy creates certainty for employers, workers, and the state of Oregon. For employers, cost is more certain. For workers, benefits are administered by an insurer rather than the employer. For the state, the transfer of risk from the self-insured employer eliminates the risk that they are unable to pay for claims due to financial troubles including bankruptcy; when a self-insured employer transfers all its risk to an insurer, the state no longer bears the burden that the deposit it holds may be insufficient.



The legislation protects the stakeholders from a self-insured employer selecting fully paid-up insurance coverage from an insurer without sufficient financial stability. This bill allows a security deposit to be released only when the DCBS Director approves of the paid-up insurance.

SAIF has worked with DCBS to ensure the bill provides them with the tools necessary to protect the system.

Thank you for your consideration and we urge your support.

Please do not hesitate to contact me with any questions.

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