

Director's Office, 350 Winter St. NE, Room 200, Salem, Oregon 97301-3878

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For more information:  
Aaron Corvin, 971-718-6973  
Aaron.corvin@oregon.gov

## **Workers' compensation costs to drop for fourth-straight year**

Salem – Oregon employers will see a key portion of their workers' compensation costs drop by an average 6.6 percent in 2017, the Department of Consumer and Business Services (DCBS) announced today. This marks the fourth year in a row – and eighth year in the past decade – that businesses will experience an average decrease in the “pure premium.”

The average decrease in pure premium – the portion of the premium employers pay insurers to cover claims costs for job-related injuries and deaths – is part of a mixture of rate changes designed to invest in workplace safety and health programs while preserving historically low costs.

The other rate changes include:

- An increase in the premium assessment, which funds state costs of running workers' compensation and workplace safety and health programs, from 6.2 percent to 6.8 percent. The increase is needed to invest in worker protection and related programs to keep pace with an expanding economy.
- A decrease in the payroll assessment, which supports the Workers' Benefit Fund, from 3.3 cents per hour worked to 2.8 cents per hour. The fund pays for highly successful return-to-work and other special injured-worker programs. It is financially stable to the point that a reduction in the assessment is warranted.

The combination of the changes in pure premium rates and assessment rates is a net reduction in costs for the average employer. The average employer would pay \$1.02 per \$100 of payroll for claims costs and assessments, down from \$1.10 in 2016.

“These rate changes preserve the integrity of our workers' compensation system,” said Patrick Allen, DCBS director. “They do so by helping maintain a positive business climate for Oregon employers while also bolstering worker protections and benefits.”

The decrease in pure premium is based on a recommendation from the Florida-based National Council on Compensation Insurance Inc. (NCCI), which analyzes industry trends and prepares rate recommendations for the majority of states. Pure premium reflects only a portion of workers' compensation costs, but is the key factor behind annual cost changes. The decrease is an average, so an individual employer may see a larger decrease, no change, or even an increase depending on the employer's own industry, claims experience, and payroll. Also, pure premium does not take into account the varying expenses and profit of insurance companies.

The decrease in the pure premium is effective Jan. 1, 2017, but employers will see the changes when they renew their policies in 2017. The changes to the premium and payroll assessments are effective Jan. 1, 2017.

Workers' compensation pays injured workers for lost wages and medical care for job-related injuries. A steady decline in average medical care costs and stable wage replacement costs are the key factors continuing to drive down the pure premium.

Oregon's workers' compensation premium rates have ranked low nationally for many years. Only seven states and the District of Columbia had average rates lower than Oregon in 2014, according to a biennial study conducted by DCBS. In contrast to changes made in some other states, Oregon has seen no meaningful reduction in worker benefits since at least the early 1990s.

The following chart summarizes all the changes:

<b>Workers' Compensation Cost Summary: Effective Jan. 1, 2017</b>			
<b>What</b>	<b>Pays for</b>	<b>Cost/Change</b>	<b>Recent Rate History</b>
<b>Pure premium</b>	Medical claims and benefits for lost wages. Excludes insurer expenses and profit.	Average 6.6 percent decrease from 2016.	<ul style="list-style-type: none"> <li>• 2016: 5.3 percent decrease</li> <li>• 2015: 5.3 percent decrease</li> <li>• 2014: 7.6 percent decrease</li> <li>• 2013: 1.7 percent increase</li> </ul>
<b>Premium assessment*</b>	<p>State regulatory costs to administer workers' compensation and workplace safety programs.</p> <p>Self-insured employers and self-insured employer groups pay an additional amount to fund reserves that ensure prompt payment of claims in the event of insolvencies.</p>	<ul style="list-style-type: none"> <li>• 6.8 percent of premiums for insured employers, increase from 2016.</li> <li>• 7.0 percent for self-insured employers, increase from 2016.</li> <li>• 7.0 percent for public-sector self-insured groups, increase from 2016.</li> <li>• 7.8 percent for private-sector self-insured employer groups, increase from 2016.</li> </ul>	<p>The premium assessment for insured employers has remained flat since 2012. The increase of 0.6 percentage points is needed to invest in workplace safety and related programs to keep pace with an expanding economy.</p> <p>Self-insured employers and self-insured employer groups also increase 0.6 percentage points.</p>
<b>Workers' Benefit Fund (Payroll assessment)**</b>	Special benefits for certain injured workers and their families, and return-to-work programs	2.8 cents per hour worked, decrease from 2016. Employers and employees split the cost.	The rate has been 3.3 cents since 2013. The expanding economy and lower program costs permit a reduction to 2.8 cents per hour.

\*Public hearing set for Monday, Oct. 17, at 8:30 a.m. at the Labor and Industries Building, Room 260, in Salem.

\*\*Public hearing set for Friday, Sept. 23, at 3 p.m., at the Labor and Industries Building, Room 260, in Salem.

Annual Oregon average pure premium rate changes and average changes by industry:

More information about Oregon workers' compensation costs can be found at:

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The Department of Consumer and Business Services is Oregon's largest business regulatory and consumer protection agency. For more information, visit <http://www.dcbs.oregon.gov/>.