



# MEMORANDUM

September 12, 2024

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

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

Subject: Workers' Compensation Premium Assessment Rate Recommendation for CY 2025

## Purpose

In accordance with the requirements of [ORS 656.612](#), the Department of Consumer and Business Services (DCBS) must establish a calendar year (CY) 2025 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 September 19, 2024, and will solicit testimony from staff and interested parties.

## Summary Recommendation

We recommend that the workers' compensation premium assessment rate in [OAR 440-045-0020](#) remain 9.8 percent for insurers, self-insured employers, and self-insured employer groups for calendar year 2025.

*NOTE: Self-insured employers and self-insured employer groups are subject to an additional assessment that is discussed in a separate memorandum dated September 12, 2024, with the subject, "Assessment rate recommendations for CY 2025 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."*

## Background

The Premium Assessment Operating Account (PAOA) funds the DCBS program areas that regulate the workers' compensation system: the Workers' Compensation Division (WCD), Workers' Compensation Board (WCB), Oregon OSHA, the Ombuds for Oregon Workers (OOW), the Small Business Ombudsman (SBO), and central services supporting these activities. The primary funding mechanism for the PAOA is the workers' compensation premium assessment. The assessment rate is established by the department 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.

### **Compliance with 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 following requirements:

- 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 this recommendation for the workers' compensation premium assessment rate for CY 2025. For years beyond 2025, we have assumed that the assessment rate remains the same. These rates are used for planning purposes and are not a recommendation as to what those rates should be. The results of our analysis, recommendations, and assessment rate schedule considerations are discussed below.

### **Single-Year CY 2025 Recommendation**

For calendar year 2025, we recommend that the workers' compensation premium assessment rate remain unchanged at 9.8 percent for insurers, self-insured employers, and self-insured employer groups.

### **Multiple-Year Rate Schedule for Planning Purposes**

The multiple-year rate schedule models the effect of maintaining the assessment rate at 9.8 percent. With this rate, revenues are expected to be lower than expenditures in FY 2027 and slightly higher than expenditures through FY 2029. This is due to lower expected administrative costs beginning in FY 2028.

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.

### **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 January 1, 2025.
2. Actual revenue data through June 30, 2024.

3. Assessable premium forecasts based on the June 2024 Office of Economic Analysis baseline forecast.
4. The impact of NCCI's proposed reduction of pure premium rates by 3.2 percent for CY 2025.
5. Base federal grant revenue for OR-OSHA totaling about \$6.4 million each year.
6. Penalty revenue earned of about \$6.2 million in FY 2025, with a 3 percent annual increase thereafter. Estimates of investment income based on the latest information from the State Treasurer's Office.
7. Estimates of other revenues based on average actual amounts collected through FY 2024.

**Expenditure and transfer assumptions include:**

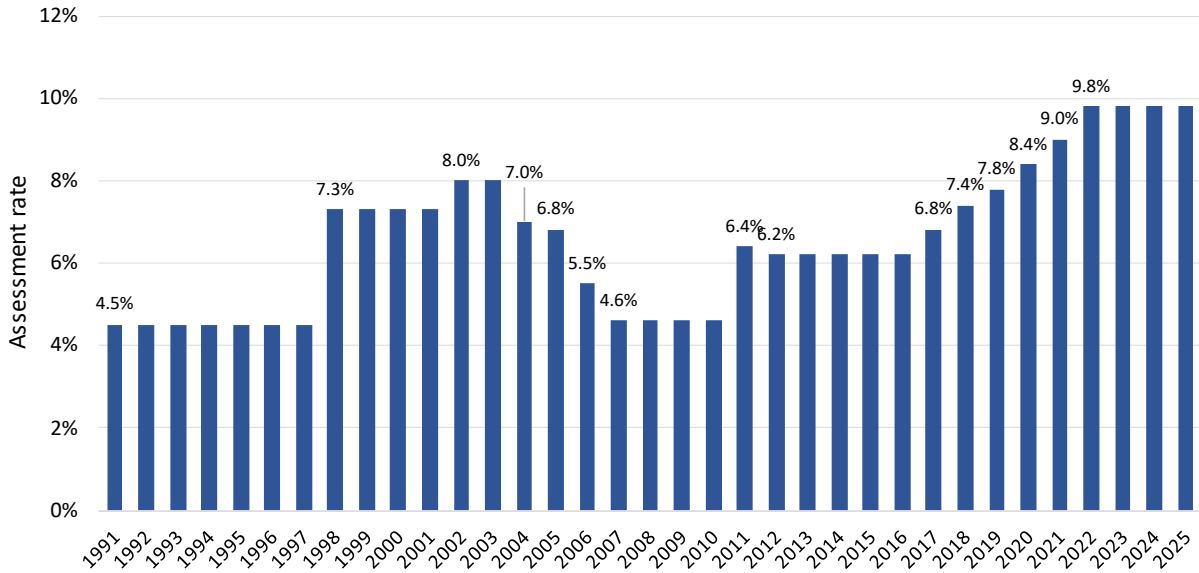
1. Actual expenditure and transfer data through June 30, 2024.
2. Cost-of-living-adjustment estimates of 6.55 percent in January.
3. Salary increases, effective August 1, 2024, as a result of the BI 2023-25 pay equity analysis.
4. Policy option package approvals for WCD and WCB modernization, OR-OSHA, and OOW totaling about \$19.3 million in expenditures for BI 2025-27.
5. Projected payments to the Oregon Institute of Occupational Health Sciences (OIOHS) of \$2.0 million in FY 2025.
6. Payments to the Bureau of Labor and Industries of \$535,000 per year for enforcement of anti-discrimination laws.
7. Annual transfers to the Division of Financial Regulation for insurance regulation related to workers' compensation.
8. Updated estimates of the transfers to the Worker Benefit Fund for the Non-Complying Employer Program expenditures.
9. The latest estimates of chargeback.

**PAOA Assessment Summary**

At the end of FY 2024, PAOA had a fund balance of \$147.1 million and a coverage ratio of 5.89 quarters. We forecast that total revenue will be about \$121.9 million at the recommended assessment rate through FY 2029. We forecast that the fund balance will be \$154.6 million at the end of FY 2029.

The following table shows the PAOA assessment rate history and the 2025 recommendation.

## PAOA Assessment Rates



The following table displays the financial outcomes for PAOA under the assumptions outlined above.

	2021-2023 biennium		2023-2025 biennium		2025-2027 biennium		2027-2029 biennium	
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$96,026,335	\$107,859,512	\$115,044,897	\$116,809,551	\$119,009,491	\$119,538,463	\$120,525,801	\$121,892,809
Expenditures & Transfers	\$75,968,156	\$81,686,557	\$91,054,928	\$103,213,851	\$115,683,585	\$120,666,935	\$113,429,655	\$116,784,452
Excess/(Deficit)	\$20,058,179	\$26,172,955	\$23,989,969	\$13,595,700	\$3,325,906	(\$1,128,472)	\$7,096,146	\$5,108,357
Ending Fund Balance	\$100,132,585	\$124,251,321	\$147,052,260	\$156,260,556	\$155,863,677	\$150,810,740	\$153,781,825	\$154,551,574
Coverage Ratio	5.53	6.26	5.89	6.26	5.11	4.94	5.15	5.18

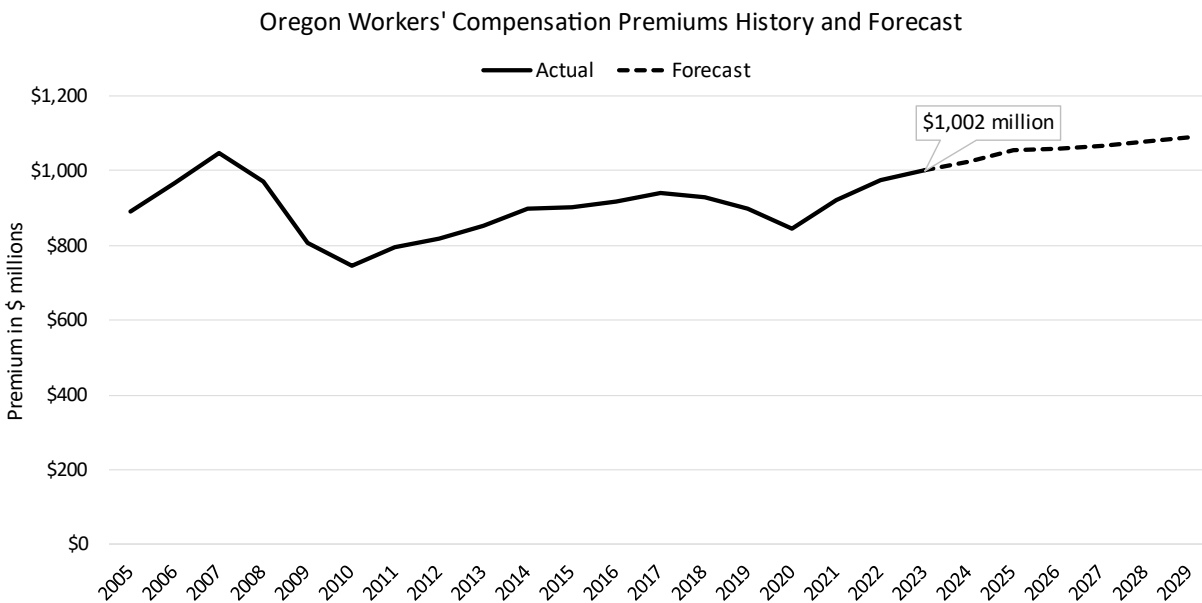
## Appendix 1 – Workers’ Compensation Premium Forecast

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) June 2024 Oregon Economic and Revenue Forecast, the biennial Rate Ranking study, and the National Council on Compensation Insurance (NCCI).

NCCI filed a reduction in pure premium rates of 3.2 percent for policy year 2025. This is the twelfth 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 rate-making services. Note that COVID-19 workers’ compensation claims were not considered by NCCI when developing this rate change.

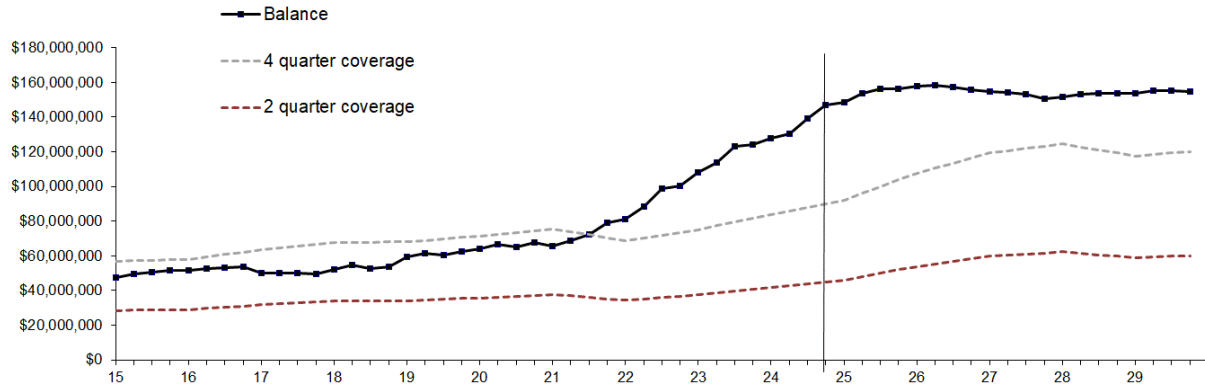
We assume that the 3.2 percent reduction in pure premium repeats for the 2025 policy year. After 2025, we assume that the pure premium rate will change in line with recent history. However, the actual pure premium rate changes by NCCI will produce different premium in those years.

The following graph shows actual workers’ compensation premium from CY 2005 through CY 2023 and forecast premium through CY 2029.



# Appendix 2 – Financial Outcomes

## WORKERS' COMPENSATION PREMIUM ASSESSMENT OPERATING ACCOUNT REVENUES, EXPENSES, FUND BALANCES, AND COVERAGE RATIOS FISCAL YEARS 2015-2029; ACTUAL DATA THROUGH 06/30/2024 9.8% ASSESSMENT RATE EFFECTIVE 1/1/2025



Period Ending	Assessment Income <sup>2,6</sup>	Investment Income	Total Revenue	Total Expenses	Expenses	Chargeback	Excess (Deficit)	Transfers/ Adjustments <sup>5</sup>	Ending Fund Balance	Coverage Ratio
FY 2015	\$54,352,142	\$933,333	\$62,892,441	\$58,444,726	\$50,286,885	\$8,157,841	\$4,447,715	\$621,875	\$51,550,827	
FY 2016	\$57,379,265	\$957,661	\$65,620,276	\$63,580,155	\$52,825,667	\$10,754,488	\$2,040,120	(\$92,992)	\$53,497,955	
FY 2017	\$55,598,895	969,703	\$63,747,278	\$67,160,444	\$56,394,586	\$10,765,858	(\$3,413,166)	(\$571,813)	\$49,512,976	
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	
09/30/21	19,586,347	200,795	21,206,525	18,931,680	16,866,742	2,064,938	2,274,845	(222,563)	81,258,786	3.62
12/31/21	20,969,525	7,437	22,581,390	16,222,212	16,097,896	124,316	6,359,178	675,665	88,293,629	3.51
03/31/22	22,790,735	29,689	25,579,947	15,011,516	15,011,516	0	10,568,431	(223,813)	98,638,247	4.34
06/30/22	23,998,834	78,845	26,658,473	25,802,748	16,372,734	9,430,013	855,726	638,612	100,132,585	5.53
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	
09/30/22	24,129,768	67,541	25,860,525	17,873,545	17,873,545	0	7,986,980	117,201	108,236,766	5.45
12/31/22	23,532,451	503,425	27,909,244	22,578,637	16,476,641	6,101,996	5,330,607	(22,785)	113,544,588	5.72
03/31/23	24,235,149	618,742	27,293,856	16,991,392	16,991,392	0	10,302,464	(765,753)	123,081,299	6.20
06/30/23	23,711,363	522,643	26,795,887	24,242,982	17,466,372	6,776,610	2,552,905	(1,382,882)	124,251,321	6.26
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	5.12
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	5.22
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	5.57
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	5.89
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	24,848,488	966,597	29,022,431	25,729,128	21,166,536	4,562,592	3,293,303	(1,731,367)	148,614,197	5.95
12/31/24	25,842,428	979,506	30,029,280	24,069,126	19,678,907	4,390,218	5,960,154	(795,959)	153,778,392	6.16
03/31/25	24,848,488	977,827	29,033,660	25,654,170	21,268,790	4,385,380	3,379,490	(1,021,603)	156,136,279	6.25
06/30/25	24,546,201	970,633	28,724,180	27,761,427	23,241,600	4,519,827	962,753	(838,476)	156,260,556	6.26
FY 2025	\$100,085,605	\$3,894,563	\$116,809,551	\$103,213,851	\$85,355,833	\$17,858,017	\$13,595,700	(\$4,387,404)	\$156,260,556	
09/30/25	25,568,960	944,182	29,767,635	27,124,562	22,279,158	4,845,404	2,643,072	(924,592)	157,979,037	5.18
12/31/25	26,591,718	918,572	30,764,783	29,517,075	24,671,671	4,845,404	1,247,708	(838,476)	158,388,269	5.19
03/31/26	25,568,960	865,305	29,688,759	29,520,974	24,675,570	4,845,404	167,785	(1,077,643)	157,478,411	5.16
06/30/26	24,713,358	820,463	28,788,314	29,520,974	24,675,570	4,845,404	(732,660)	(882,074)	155,863,677	5.11
FY 2026	\$102,442,995	\$3,548,522	\$119,009,491	\$115,683,585	\$96,301,970	\$19,381,615	\$3,325,906	(\$3,722,785)	\$155,863,677	
09/30/26	25,743,081	798,838	29,844,966	30,164,835	25,319,431	4,845,404	(319,869)	(970,380)	154,573,428	5.07
12/31/26	26,772,804	805,254	30,881,106	30,164,835	25,319,431	4,845,404	716,271	(882,074)	154,407,625	5.06
03/31/27	25,743,081	793,993	29,840,121	30,168,633	25,323,229	4,845,404	(1,145,229)	(328,512)	152,933,884	5.01
06/30/27	24,874,446	794,777	28,972,270	30,168,633	25,323,229	4,845,404	(1,196,363)	(926,781)	150,810,740	4.94
FY 2027	\$103,133,412	\$3,192,862	\$119,538,463	\$120,666,935	\$101,285,320	\$19,381,615	(\$1,128,472)	(\$3,924,465)	\$150,810,740	
09/30/27	25,910,882	795,882	30,059,812	28,355,660	23,364,894	4,990,766	1,704,152	(1,017,332)	151,497,560	5.08
12/31/27	26,947,317	811,546	31,111,910	28,355,660	23,364,894	4,990,766	2,756,251	(926,781)	153,327,029	5.14
03/31/28	25,910,882	807,492	30,071,421	28,359,168	23,368,402	4,990,766	1,712,254	(1,208,322)	153,830,961	5.16
06/30/28	25,113,104	816,505	29,282,657	28,359,168	23,368,402	4,990,766	923,489	(972,625)	153,781,825	5.15
FY 2028	\$103,882,183	\$3,231,424	\$120,525,800	\$113,429,655	\$93,466,591	\$19,963,064	\$7,096,145	(\$4,125,060)	\$153,781,825	
09/30/28	26,159,483	828,881	30,392,904	29,194,468	24,053,979	5,140,489	1,198,436	(1,065,478)	153,914,784	5.16
12/31/28	27,205,862	844,522	31,454,924	29,194,468	24,053,979	5,140,489	2,260,456	(972,625)	155,202,615	5.20
03/31/29	26,159,483	836,569	30,400,592	29,197,758	24,057,269	5,140,489	1,202,834	(1,280,872)	155,124,578	5.20
06/30/29	25,394,756	845,092	29,644,388	29,197,758	24,057,269	5,140,489	446,630	(1,019,634)	154,551,574	5.18
FY 2029	\$104,919,584	\$3,355,064	\$121,892,808	\$116,784,452	\$96,222,496	\$20,561,956	\$5,108,357	(\$4,338,609)	\$154,551,574	

## Appendix 3 – Detailed Financial Outcomes

Workers' Compensation Premium Assessment Operating Account  
 Revenue, Expenditures, Transfers, And Fund Balances  
 Fiscal Years 2022-2029; Actual Data Through 6/30/2024  
 9.8% Assessment Rate Effective 1/1/2025

REVENUES	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Assessments	\$87,345,441	\$95,608,731	\$99,422,036	\$100,085,605	\$102,442,995	\$103,133,412	\$103,882,183	\$104,919,584
Fines and Penalties	1,268,756	1,940,938	2,490,721	\$6,226,803	\$6,413,607	\$6,606,015	\$6,804,195	\$7,008,321
Investment Income	316,766	1,712,351	3,097,507	\$3,894,563	\$3,548,522	\$3,192,862	\$3,231,424	\$3,355,064
Federal Funds	7,026,344	8,509,962	9,857,623	\$6,423,800	\$6,423,800	\$6,423,800	\$6,423,800	\$6,423,800
Other	69,028	87,530	177,010	\$178,780	\$180,568	\$182,374	\$184,197	\$186,039
<b>Total Revenue</b>	<b>\$96,026,335</b>	<b>\$107,859,512</b>	<b>\$115,044,897</b>	<b>\$116,809,551</b>	<b>\$119,009,491</b>	<b>\$119,538,463</b>	<b>\$120,525,800</b>	<b>\$121,892,808</b>
<b>EXPENDITURES</b>								
Administration	\$62,435,682	\$66,832,917	\$74,650,263	\$83,347,704	\$94,275,674	\$99,243,631	\$91,410,290	\$94,152,599
Chargeback	11,619,267	12,878,606	14,439,652	17,858,017	19,381,615	19,381,615	19,963,064	20,561,956
Oregon Health Sciences University	1,913,207	1,975,033	1,965,013	2,008,129	2,026,295	2,041,689	2,056,301	2,069,897
<b>Total Expenditures</b>	<b>\$75,968,156</b>	<b>\$81,686,557</b>	<b>\$91,054,928</b>	<b>\$103,213,851</b>	<b>\$115,683,585</b>	<b>\$120,666,935</b>	<b>\$113,429,655</b>	<b>\$116,784,452</b>
<b>ADJUSTMENTS/TRANSFERS</b>								
Non-Complying Employer	(\$368,332)	(\$2,940,841)	(\$2,084,378)	(\$3,669,277)	(\$2,992,216)	(\$3,171,017)	(\$3,354,363)	(\$3,542,371)
DFR for workers' comp. regulation	(50,393)	(48,886)	(148,414)	(183,127)	(195,568)	(218,448)	(235,697)	(261,237)
BOLI Transfer	(232,000)	(210,000)	(338,000)	(535,000)	(535,000)	(535,000)	(535,000)	(535,000)
Misc Transfers/Adjustments	1,518,627	1,145,507	1,381,762	0	0	0	0	0
<b>Total Transfers</b>	<b>867,902</b>	<b>(2,054,220)</b>	<b>(1,189,030)</b>	<b>(4,387,404)</b>	<b>(3,722,785)</b>	<b>(3,924,465)</b>	<b>(4,125,060)</b>	<b>(4,338,609)</b>
Net Cash Flow	\$20,926,081	\$24,118,736	\$22,800,939	\$9,208,296	(\$396,879)	(\$5,052,937)	\$2,971,086	\$769,748
<b>Ending Fund Balance</b>	<b>\$100,132,586</b>	<b>\$124,251,321</b>	<b>\$147,052,260</b>	<b>\$156,260,556</b>	<b>\$155,863,677</b>	<b>\$150,810,740</b>	<b>\$153,781,826</b>	<b>\$154,551,574</b>