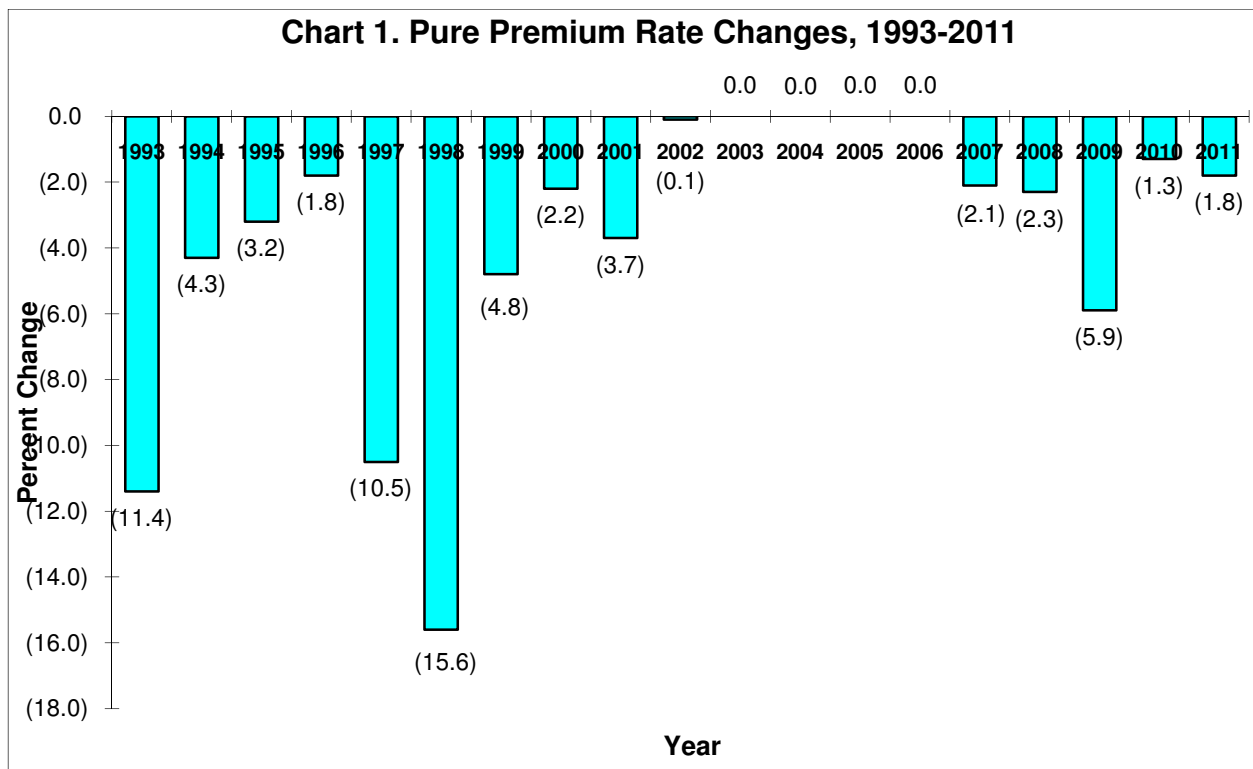


Premium Rates

Oregon has employed a competitive rate-making system for workers' compensation insurance since July 1, 1982. Under this system, the rate-making authority (National Council on Compensation Insurance, or NCCI) develops recommended pure premium rates for each of the nearly 500 rating classifications, based on expected losses subject to the approval by the Insurance Commissioner. Pure premium covers benefit costs only, based on claims from injuries in the current period. In addition, each insurer determines an additional percentage for operational expenses, taxes, and profit, and files this "expense loading factor" with the insurance commissioner. Since January 1, 1988, all filings have been subject to the commissioner's review and approval.

The Cumulative Index in Appendix Table 4 reflects approximate overall changes in the rates, including premium assessment and insurer expense loading prior to competitive rate-making. Some approved rate changes were not expected to change rates overall. For example, the 5.4 percent increase effective November 1, 1981, offsets a change in the applicable payroll base when the Legislature excluded vacation and bonus pay from the payroll base. The change should not have increased the workers' compensation bill for most employers.

Actual rates paid by individual employers may vary even within the same classifications because of experience rating modifications, premium discounts, retrospective rating plans, and other variables. In Chart 1, annual pure premium rate changes are shown for the past 19 years.



Source: Research & Analysis Section, Oregon Department of Consumer & Business Services, Last updated 11/2010