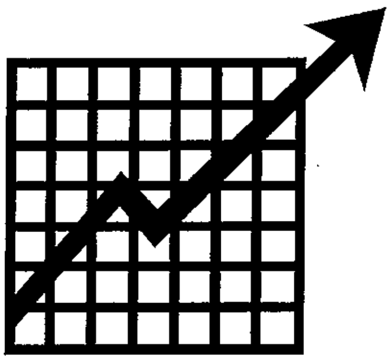
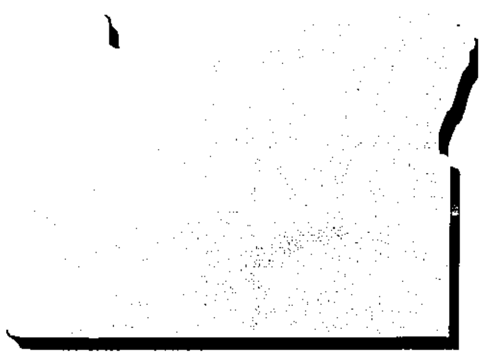


Oregon Workers' Compensation Premium Rate Ranking

Calendar Year 2008



Information Management Division

Oregon Department of Consumer & Business Services

March 2009

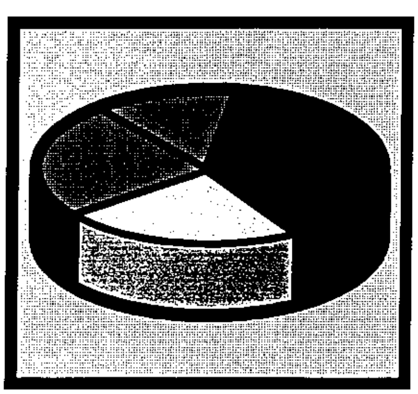


Table 5. Effect of approved rate changes on premium level in Oregon and countrywide

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Oregon	-1.8%	-10.5%	-15.6%	-4.8%	-2.2%	-3.7%	-0.1%	0.0%	0.0%	0.0%	0.0%	-2.1%
Avg. countrywide[1]	-6.0%	-8.0%	-5.4%	-2.6%	3.5%	1.2%	4.9%	6.6%	-6.0%	-5.1%	-5.7%	-7.2%

Source: NCCI Annual Statistical Bulletin, 2008 Edition
Note: Oregon 2002 change reflects net effect of Sept. 1, 2001, increase of 2.1 percent and Jan. 1, 2002, decrease of 2.2 percent.
[1]The average countrywide values have been recalculated by NCCI to reflect additional states.

the median in 1990. Oregon's post-1990 rate reductions occurred when rates were increasing nationally, and the drop in the following two studies was dramatic. By 1994, Oregon's rate index had declined to about 15 percent below the national median. This relationship was fairly stable until 2004, when Oregon's index rate dropped further, to 21 percent below the national median. Oregon's rate index is 17 percent below the national median for 2008.

An additional historical comparison

As Appendix 3 illustrates, there have been many changes in workers' compensation premium rates among the various states throughout the past five years. In 2004 and 2005, there were slightly more states with increases than decreases in rates, but starting in 2006, decreases have outnumbered increases. Roughly two-fifths of the states that report premium level changes to the NCCI had a net rate increase over the five-year period from Jan. 1, 2004, to Dec. 31, 2008 (see Figure 5). Table 5 compares premium rate changes in Oregon with premium rate changes nationwide, excluding states with monopolistic state funds, for years 1994 through 2007.

Notes about using the rankings

Users of this premium rate ranking study should be aware of some of the issues in comparing premium rates among states. There are many factors that cannot be separately measured in each state, but that contribute to overall rate level and individual class rates. These factors vary by state, and it is very difficult to arrive at a totally reliable basis for comparison. Some issues that the users of this report should consider:

1. Because the study does not include all premium classes, the actual average premium rate for a state may differ from the weighted premium rate index, which is based on the characteristics of Oregon's economy.
2. If different classes had been selected, or payroll from a state other than Oregon had been used to weight the rates by class, the results would be somewhat different.
3. Several states use classification systems other than NCCI, and the conversion is not perfect. Rates for similar classes were used wherever possible.
4. Many states have unique classes within the NCCI system or do not have rates for all of the classes. The data were adjusted to account for the classes without rates. When a state had more than one class included in a single NCCI class, the rates were averaged.
5. The premium rate listed for a class in any state may not be the rate that an employer in that state would pay. Premium rates for an employer are adjusted based on the employer's experience rating, premium discounts, premium reductions associated with deductibles, retrospective rating, insurer deviations, schedule rating plans, and other modification plans. Employers in Oregon (and many other states) also have the option to purchase large deductible policies or pay a part (in Oregon, the first $1,500) of some claims' medical costs to contain expenses and experience ratings. These cost-saving measures are not reflected in the rate indices used in this study, as the full effects of losses are reported and reflected in class rates during the ratemaking process.
6. In the competitive rating states, individual insurers may apply different load factors (loss cost multipliers) to the pure premium rate. This results in a range of premium rates that are available to an employer.
7. The premium rates do not reflect any dividends paid to employers.
8. The data exclude self-insurers' experience.

9. This study is based on payroll rates.

   For Washington, hourly rates had to be converted to payroll rates. The Washington payroll data included overtime pay that may overstate the average wage for purposes of premium computation, thus understating the effective average payroll rate.

10. The payroll basis may differ by state.

    - In North Dakota, workers' compensation premium is based on the first $21,300 of payroll per employee, per year. Anything over $21,300 is exempt. In order to compare North Dakota's index rate with those of other states lacking a payroll limitation, North Dakota's rates were adjusted according to the proportion of its payroll in each classification that was subject to a premium computation during fiscal year 2007.
    - Nevada also has a payroll cap: $36,000 of reportable payroll per employee, per employer, per year. However, no rate adjustment was provided by Nevada to compensate for its payroll limitation on workers' compensation premium.
    - Payroll base exclusions (e.g., exclusion of vacation pay) exist in Oregon and South Dakota. Manual rates in these states have been reduced to reflect NCCI's estimate of the effect of these payroll exclusions on premium rates. Additionally, some states assess overtime at the full overtime wage, but most states use the normal hourly wage as the payroll basis for overtime hours. This study does not account for these differences in treatment of overtime.

11. The premium rates may include more than loss experience and insurer overhead. In some states, assessments are included in the rates to fund state workers' compensation agencies or special funds. For states in which some employer assessment liability exists outside workers' compensation manual rates, assessments are factored into the rates for the purposes of this study, if possible.

    For example, the Oregon Workers' Compensation premium assessment is billed separately to Oregon employers, and is collected by carriers on behalf of the Department of Consumer and Business Services. This assessment is accounted for in Oregon's rate index, but its Workers' Benefit Fund (cents-per-hour assessment) is not.

    Assessments were also factored into the rates for the following states: California, Connecticut, Georgia, Kentucky, Maine, Massachusetts, Minnesota, Missouri, Nebraska, New Jersey, New York, Ohio, Pennsylvania, Vermont, and West Virginia.

12. The rates in a state are influenced by the types of employers and employees subject to the law, benefit levels, statutes of limitation, waiting periods, administration of the law, collective bargaining agreements, litigation activity, characteristics of the labor force, wage levels, medical fees, frequency of claims, loss control programs, and other factors.

13. States with state funds may operate in one of three ways. In North Dakota and Wyoming, workers' compensation is handled exclusively through a monopoly state fund. Ohio, Washington, and West Virginia (changed to competitive state July 1, 2008) allow workers' compensation insurance to be provided either by the state fund or through self-insurance.

    Competitive state fund states allow employers to choose among private insurers, the state fund, or self-insurance. In some competitive state fund states (Arizona, California, Colorado, Hawaii, Idaho, Kentucky, Maine, Minnesota, Missouri, Montana, New Mexico, New York, Oklahoma, Oregon, Pennsylvania, Rhode Island, Texas, and Utah), the funds use the same rates or loss costs used by other insurers.

    Louisiana, Maryland, and South Carolina allow their state funds to set their own rates separate from those used by the private insurers in the state. Louisiana provided rates and market share information so that the private market and state fund rates could be weighted to derive overall manual rates.

14. Data used for calculating the rate index for California, Delaware, Indiana, Michigan, Minnesota, New Jersey, New York, Pennsylvania, and Wisconsin were gathered from independent rating bureaus and similar contacts rather than state regulatory officials.

Illinois Workers' Compensation Commission
FY2009 Annual Report

"The Miner's Homecoming"
by Charles J. Mulligan

The sculpture commemorates the 1909 Cherry mine fire, one of the country's worst mining disasters. It killed 259 men and boys, left 465 children without fathers, and prompted the enactment of the first workers' compensation law in Illinois. The word "home" on the pedestal evokes the goal that every person will return home safe and whole after a day at work.

Pat Quinn
Governor

Mitch Weisz
Chairman

Highlights

- In FY09, the Commission collected $1.2 million in fines from 105 uninsured employers with 1,300 workers that were found to be operating without workers' compensation insurance. These fines were used to pay $1.4 million in benefits to 38 injured workers whose uninsured employers failed to pay them. Without the Injured Workers' Benefit program, there would be no fund from which to pay these workers.
- As requested by the business community, new medical fee schedules were created for 1) ambulatory surgical treatment centers; 2) hospital outpatient radiology; pathology and laboratory; physical medicine and rehabilitation services; and surgical services; and 3) rehabilitation hospitals.
- The perception of Illinois workers' compensation costs is often different than the reality. Illinois is a high-wage state with a low injury rate.
- Using NCCI advisory rates, a 1990 workers' compensation insurance premium of $100 would cost only $116 in 2010; during the same time, the statewide average weekly wage doubled.
- Our workers' compensation insurance industry is healthy and highly competitive. More insurance companies sell w.c. policies in Illinois than in 48 other states. The residual market is smaller than average, meaning employers are able to purchase insurance with relative ease.
- The number of cases pending at the Commission has declined 20% from the peak of 119,000 cases at the end of FY95 to 96,000 cases at the end of FY09.
- Accident rates have fallen dramatically. Illinois' 2006 total injury rate was *63% lower* than in 1991. Everyone wins when injuries are avoided.
- In FY09, our website received over 8 million hits, representing an 80% increase since FY07.

Mission Statement

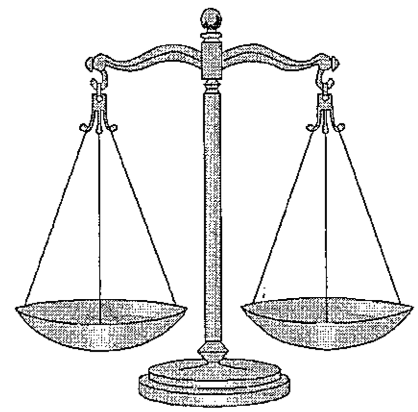
The Illinois Workers' Compensation Commission resolves disputes that occur between injured workers and their employers regarding workers' compensation. The Commission strives to assure financial protection to injured workers and their dependents at a reasonable cost to employers.

The Commission performs four main functions:

1) *Resolve disputes.* The Commission strives to provide a fair, timely process by which disputed claims may be resolved.
2) *Ensure compliance with the law.* The Commission protects the rights of employees and employers under the Illinois Workers' Compensation and Occupational Diseases Acts.
3) *Administer self-insurance.* The Commission evaluates and approves eligible employers that wish to insure themselves for their workers' compensation liabilities.
4) *Collect statistics.* The Commission compiles information on work-related injuries and diseases in order to encourage sound risk management and work safety programs.

The Commission intends to accomplish these goals while looking constantly for ways to improve the quality of service and treating the public and co-workers with respect. The success of this organization depends on the commitment and full participation of every member.

FY2008 ANNUAL REPORT



ILLINOIS WORKERS' COMPENSATION COMMISSION

PAT QUINN
GOVERNOR

AMY J. MASTERS
ACTING CHAIRMAN

Interstate Comparisons

The perception of Illinois workers' compensation costs is often different than the reality. Illinois is a high-wage state with a low injury rate. On most cost measures, Illinois falls in the middle of the pack.

Injury rate (percentage of workers injured in PY2004) [8]

Illinois	4.0%
National median	5.4%

Illinois' injury rate is 26% lower than the national median.

Benefit cost rates (2005 w.c. benefits paid/payroll) [9]

Illinois	0.98%
National median	1.01%

Illinois' benefit cost rate is 3% lower than the national median.

Growth of benefit payments (1996-2005) [10]

Illinois	36.4%
National median	33.3%

Illinois' benefit growth rate is 2% higher than the national median.

Insurance premium rates (2004-2006 rate per $100 of payroll) [11]

Illinois	$2.69
National median	$2.48

Illinois' w.c. insurance rates are 8% higher than the national median.

Medical costs per claim (PY2004) [12]

Illinois	$6,695
National median	$5,829

Illinois' medical costs are 15% higher than the national median.

Wages (CY2005) [13]

Illinois	$43,732
National median	$36,348

Illinois' wages are 20% higher than the national median.

Indemnity costs per claim (PY2004) [14]

Illinois	$22,431
National median	$18,183

Illinois' indemnity costs are 23% higher than the national median.