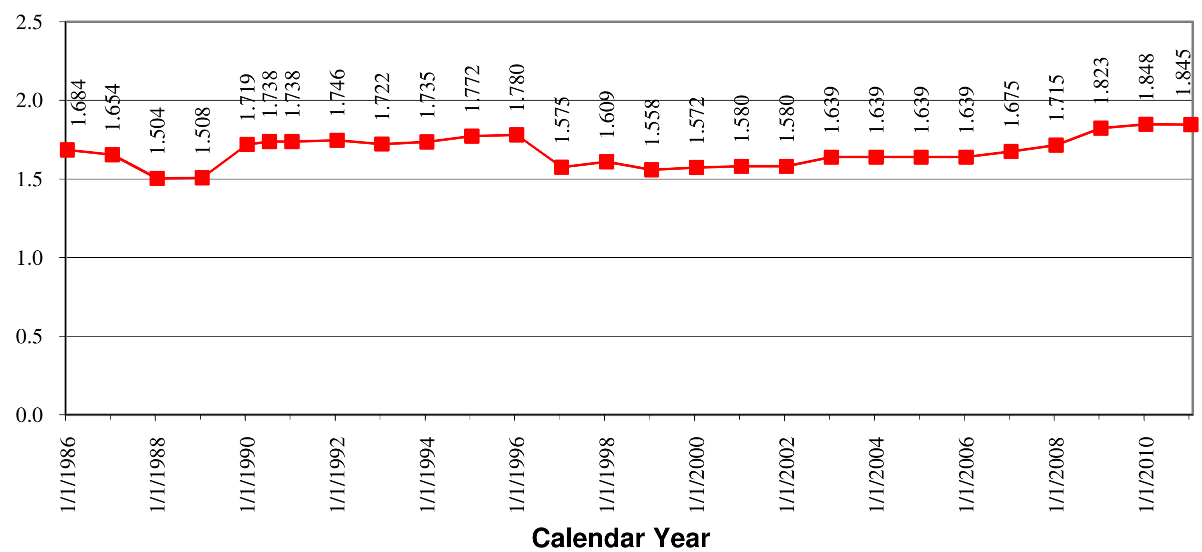
Assigned Risk Pool

When Oregon's legislature created SAIF in 1965 they established a three-way workers' compensation system and provided that, if requested by either SAIF or NCCI, the Insurance Commissioner must promulgate an Assigned Risk Plan to make workers' compensation insurance available to employers who are unable to obtain coverage in the voluntary market. The law was amended in 1979 to mandate the implementation of such a plan. In 1980, the commissioner adopted rules constituting the Oregon Workers' Compensation Insurance Plan and establishing the state's Assigned Risk Pool (ARP). This effectively freed SAIF from its status as insurer of last resort.

Figure 8: Adjusted Expense Factor, 1986 - 2011



1 The adjusted expense factor for 1984 and 1985 reflects the inclusion of the 16.8% Workers' Compensation Premium Assessment.

2 For 1984 and 1985 there is an Adverse experience differential of 1.10 requested by NCCI to help offset excessive ARP losses. Approved by Commissioner as part of rate filing.

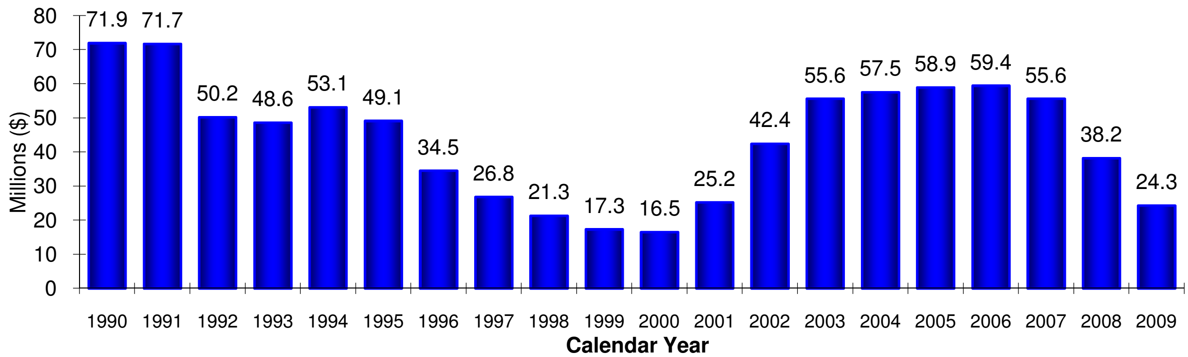
3 For 1986 & 1987 Assigned Risk Safety Rating Plan approved. Actual effect of program not available. Estimated effect is 1.10.

4 In 1982 and 1990 there were mid-year changes in expense factor.

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

Under Oregon's Assigned Risk Plan, two insurance companies (Liberty Northwest Insurance Company and SAIF Corporation) act as service providers. Premium rates paid by employers for ARP coverage reflect pure premium rates and an expense load factor recommended by NCCI and subject to the commissioner's approval. Reinsurance is provided by the National Workers' Compensation Reinsurance Pool, with the cost borne by all insurers in proportion to their share of all Oregon workers' compensation premiums written.

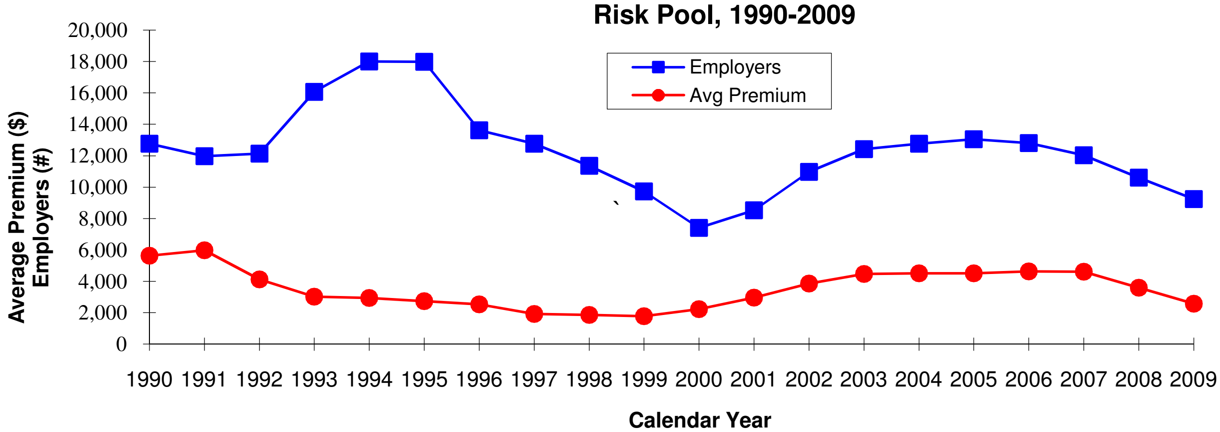
Figure 9. Total net premium, Oregon Assigned Risk Pool, 1990-2009



Source: Based on data from Residual Market Management Summary 2009, published by NCCI, 2010. Last updated 7/2010

The Oregon Assigned Risk Pool has experienced substantial changes in total premiums and number of employers over time (as shown in Figures 9 and 10). The largest single-year increase was from $28.8 million in 1989 to $71.9 million in 1990, due in part to SAIF's 1990 Corporate Plan, which included a decision to eliminate coverage of approximately 10,000 small companies. Most of these employers were assigned to the Pool by the end of 1990. In subsequent years, the AOI Compwise program (created by SAIF and Associated Oregon Industries) and an NCCI Take-Out Credit Program have helped to minimize the number of employers assigned to the Pool.

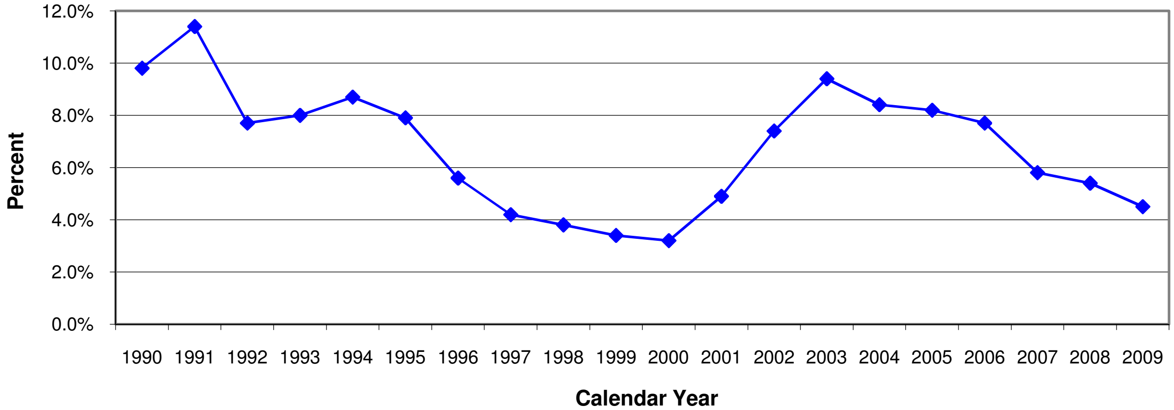
Figure 10. Average net premium and number of employers, Oregon Assigned Risk Pool, 1990-2009



Source: Based on data from Residual Market Management Summary 2009, published by NCCI, 2010.
Last updated 7/2010

On July 1, 1990, the Plan provided a two-tier rating structure, as mandated by the 1990 Special Session of the Oregon Legislature, with differing rate tiers for insureds too small to qualify for experience rating and for those large enough to be experience-rated. Small insureds under the Plan receive a premium discount. In addition, a merit rating system, open to those employers that do not qualify for experience rating, enhances the two-tier structure. These ratings plans have had the affect of holding down the average net premiums.

Figure 11. Residual Market Premiums as a Percent of Total Premiums Written, 1990-2009



1. Excluding earned Large Deductible Premium Credits and self-insureds.

Source: NCCI Residual Market Management Summary 2009, published by NCCI, 2010. Last updated 7/2010

The Department of Consumer and Business Services studied the assigned risk plan in 2006 to determine whether it is serving the purposes for which it was established and whether any changes were needed. Here is a link to the "Study of Oregon's Assigned Risk Plan for Workers' Compensation Insurance"
http://www.cbs.state.or.us/external/ins/publications/consumer/3462.pdf