

Senate Bill 96

Sponsored by Senator THOMSEN (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Authorizes certain groups of self-insured employers to qualify for exemption from security requirements for self-insured employers.

A BILL FOR AN ACT

1
2 Relating to exemption from security requirements for self-insured employer groups; amending ORS
3 656.407.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 656.407 is amended to read:

6 656.407. (1) An employer shall establish proof with the Director of the Department of Consumer
7 and Business Services that the employer is qualified either:

8 (a) As a carrier-insured employer by causing proof of coverage provided by an insurer to be filed
9 with the director; or

10 (b) As a self-insured employer by establishing proof that the employer has an adequate staff
11 qualified to process claims promptly and has the financial ability to make certain the prompt pay-
12 ment of all compensation and other payments that may become due to the director under this
13 chapter.

14 (2) Except as provided in subsection (3) of this section, a self-insured employer shall establish
15 proof of financial ability by providing security that the director determines acceptable by rule. The
16 security must be in an amount reasonably sufficient to insure payment of compensation and other
17 payments that may become due to the director but not less than the employer's normal expected
18 annual claim liabilities and in no event less than \$100,000. In arriving at the amount of security
19 required under this subsection, the director may take into consideration the financial ability of the
20 employer to pay compensation and other payments and probable continuity of operation. The secu-
21 rity shall be held by the director to secure the payment of compensation for injuries to subject
22 workers of the employer and to secure other payments that may become due from the employer to
23 the director under this chapter. Moneys received as security under this subsection shall be deposited
24 with the State Treasurer in an account separate and distinct from the General Fund. Interest earned
25 by the account shall be credited to the account. The amount of security may be increased or de-
26 creased from time to time by the director.

27 (3)(a) A city [*or*], county **or group of self-insured employers made up primarily of cities or**
28 **counties** that wishes to be exempt from subsection (2) of this section may make written application
29 therefor to the director. The application shall include a copy of the [*city's or county's*] most recent
30 annual audit **of the city, county or self-insured employer group** [*as*] filed with the Secretary of
31 State under ORS 297.405 to 297.740, information regarding the establishment of a loss reserve ac-

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 count for the payment of compensation to injured workers and such other information as the direc-
2 tor may require. The director shall approve the application and the city [or], county **or self-insured**
3 **employer group** shall be exempt from subsection (2) of this section if the director finds that:

4 (A) The city, [or] county **or self-insured employer group** has been [a] self-insured [employer]
5 in compliance with subsection (2) of this section for more than three consecutive years prior to
6 making the application referred to in this subsection [*as an independently self-insured employer and*
7 *not as part of a self-insured group*].

8 (B) The city [or], county **or self-insured employer group** has in effect a loss reserve account:

9 (i) That is actuarially sound and that is adequately funded as determined by an annual audit
10 under ORS 297.405 to 297.740 to pay all compensation to injured workers and amounts due the di-
11 rector pursuant to this chapter. A copy of the annual audit shall be filed with the director. Upon
12 a finding that there is probable cause to believe that the loss reserve account is not actuarially
13 sound, the director may require a city [or], county **or self-insured employer group** to obtain an
14 independent actuarial audit of the loss reserve account. The requirements of this subsection are in
15 addition to and not in lieu of any other audit or reporting requirement otherwise prescribed by or
16 pursuant to law.

17 (ii) That is dedicated to and may be expended only for the payment of compensation and
18 amounts due the director by the city [or], county **or self-insured employer group** under this
19 chapter.

20 (b) The director shall have the first lien and priority right to the full amount of the loss reserve
21 account required to pay the present discounted value of all present and future claims under this
22 chapter.

23 (c) The city [or], county **or self-insured employer group** shall notify the director no later than
24 60 days prior to any action to discontinue the loss reserve account. The city [or], county **or self-**
25 **insured employer group** shall advise the director of the [*city's or county's*] plans **of the city,**
26 **county or self-insured employer group** to submit the security deposits required in subsection (2)
27 of this section, or obtain coverage as a carrier-insured employer prior to the date the loss reserve
28 account ceases to exist. If the city [or], county **or self-insured employer group** elects to discon-
29 tinue self-insurance, it shall submit such security as the director may require to insure payment of
30 all compensation and amounts due the director for the period the city [or], county **or self-insured**
31 **employer group** was self-insured.

32 (d) In order to requalify as a self-insured employer, the city [or], county **or self-insured em-**
33 **ployer group** must deposit prior to discontinuance of the loss reserve account such security as is
34 required by the director pursuant to subsection (2) of this section.

35 (e) Notwithstanding ORS 656.440, if prior to the date of discontinuance of the loss reserve ac-
36 count the director has not received the security deposits required in subsection (2) of this section,
37 the [*city's or county's*] certificate of self-insurance **of the city, county or self-insured employer**
38 **group** is automatically revoked as of that date.

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