FISCAL IMPACT OF PROPOSED LEGISLATION — Measure: SB 1558 - A

Seventy-Seventh Oregon Legislative Assembly – 2014 Regular Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Date:

Measure Description:
Authorizes Director of Department of Consumer and Business Services to pay compensation due to workers of members of certain decertified self-insured employer groups and to set standards by rule for proof of financial viability of self-insured employer and for insurance coverage retention and combined net worth of members of self-insured employer group.

Government Unit(s) Affected:
Department of Consumer and Business Services (DCBS)

Summary of Expenditure Impact:
Please see analysis

Local Government Mandate:
This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:
The measure provides a mechanism and a timeline for self-insured employer groups to voluntarily decertify and end their self-insured status, limiting future claim liabilities and transferring claims funds and security deposits to the Department of Consumer and Business Services (DCBS) for deposit in the Worker's Benefit Fund. Those groups electing not to voluntarily decertify would be subject to enhanced regulatory, oversight, and financial standards. The measure also allows for the involuntary decertification of self-insured employer groups that fail to maintain compliance with the enhanced regulations. The bill allows DCBS to use monies in the Workers Benefit Fund to cover claims of injured workers for those self-insured employer groups who decertify within the timeline established by the measure even if those amounts exceed the amount of transferred funds and forfeited security deposits of the decertified groups.

The fiscal impact of this bill is indeterminate. DCBS anticipates that at a minimum, two decertified groups, one currently in bankruptcy and one currently in default on claim payments would transfer roughly $877,000 to the Workers Benefit Fund to contribute to the ongoing employee claim payments for the two groups. DCBS also assumes that some number of the five remaining self-insured groups will choose to voluntarily decertify.

In addition to the two decertified groups above, the additional voluntary and involuntary decertifications would most likely come from the financially weakest groups, those groups unlikely to maintain solvency in their combined claim funds. It can be assumed therefore that the transferred amounts of remaining claim reserves and security deposits could be insufficient to cover future claims. This amount of deficiency that the measure allows to be funded through the Worker's Benefit Fund is indeterminate. Although the measure allows for the working cash balance of the Worker's Benefit Fund to drop from a minimum of 12 months to a minimum of 6 months, DCBS projects the additional expenditures from the fund to increase by 1% in the current biennium and 2.5% in the 2015-17 biennium, based on the decertification of the two insolvent groups and the largest of the five groups remaining.