

Controlling your insurance costs

Understanding your rates

What is workers' comp?

Workers' compensation insurance is required by law in Oregon. It pays for medical treatment, temporary wage replacement, and other benefits as appropriate for workers injured on the job. Workers' compensation insurance can also protect an employer from most employee liability lawsuits.



Who is covered?

With a few exceptions, all workers under the direction or control of an employer are covered. Public officials who are elected, appointed, or salaried also are covered.



Who sets your workers' comp premium rate?

Annually, the National Council on Compensation Insurance (NCCI) determines pure premium rates, but the Oregon Department of Consumer and Business Services (DCBS) approves them.



How SAIF influences rates

- Our focus on safety
- Group program discounts
- Specialized claims management
- We are a not-for-profit, state-chartered corporation.



Rates and rate tiers

Class codes

Class codes are four-digit numbers assigned to similar business risks such as logging, construction, and office clerical. Each class code has its own pure rate.

Pure rate

Premium is paid based upon an employer's payroll. The rate begins with the pure rate, which is the amount needed per \$100 of payroll for each class code to cover forecasted losses.

Rate tiers

A rate tier is an additional premium charge applied to the pure rate. Employers are assigned one of seven SAIF rate tiers. Your assigned rate tier is based on your:

- Loss history
- Risk control programs
- Premium size
- And possibly other factors

ER Mod

Your premium also may be further adjusted if you qualify for an Experience Rating Modification (ER Mod). Your ER Mod is a ratio of your actual losses to expected losses when compared to similar companies. It acts as a multiplier to increase or decrease your premium. For example, your ER Mod is 1.0 if you are at the industry average.

Effectively managing safety and claims can directly affect your ER Mod, and, in turn, how much you pay for insurance.

The formula for a workers' compensation premium

1. Start with **Payroll ÷ 100**
2. Multiply X **Rate (Pure rate of Class codes X Rate tier)**
3. Multiply X **ER Mod**
4. Multiply X **Group discount (if any)**

Comparison example	1.55 Tier	1.28 Tier
Payroll	\$150,000	\$150,000
Payroll ÷ 100	\$1,500	\$1,500
Pure rate	5.00	5.00
Rate = Pure rate X Rate tier	7.75	6.40
Manual premium (Payroll ÷ 100 X Rate)	\$11,625	\$9,600
ER Mod	1.20	0.90
Modified premium (Manual premium X ER Mod)	\$13,950	\$8,640
With 5% group discount	N/A	0.95
Standard premium	\$13,950	\$8,208

The bottom line

How to control your workers' compensation costs

Prevent workplace injuries and illnesses

- Establish safety programs to reduce and eliminate hazards
- Implement "best practices" for hiring, training, holding employees accountable, communicating, and retaining a skilled workforce

Effectively manage all claims

- Help injured workers return to work as soon as they are medically able
- Focus your efforts on reducing the number of time-loss claims

Use appropriate class codes when submitting your payroll report.
(Be sure to contact us for help.)

These efforts will result in:

- Lowering your ER Mod
- Appropriate tier selection, and potential group discounts