



# Oregon

Kate Brown, Governor

Department of Consumer and Business Services

Workers' Compensation Division

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To: Workers' compensation self-insured employers and self-insured employer groups

Subject: Application of an "incurred but not reported" (IBNR) factor

## Industry Notice

This industry notice supersedes the previous Dec. 28, 2016, notice "[Application of an incurred but not reported \(IBNR\) factor](#)" and provides information about upcoming changes to the method the Workers' Compensation Division uses to calculate security deposits for self-insured employers and employer groups.

Due to ambiguity in Oregon Administrative Rule (OAR) 436-050-0180(1)(e) regarding the incurred but not reported (IBNR) calculation, the division will apply an IBNR factor to all security deposit calculations for self-insured employers and employer groups **beginning in 2018**.

**Following rulemaking, it is anticipated that IBNR will be calculated by applying a loss development factor against the employer's incurred losses, which includes both future claim liability and annual incurred losses.** This is consistent with the information shared throughout the Division 50 rulemaking process carried out in 2015 and 2016, but inconsistent with the final wording of the rule.

Application of an IBNR factor helps ensure that security deposits for self-insured employers and employer groups are sufficient to cover their respective claim liabilities and other amounts due to the director under ORS chapter 656 in the event of default or insolvency. In previous years, the division has applied an IBNR factor of 0 percent to security deposits. However, the Department of Consumer and Business Services actuaries have advised a factor of 20 percent to safely include all costs of injuries that will be filed as claims at a later date.

To provide self-insured employers and employer groups time to plan for and finance the resulting increases in their security deposits, **the division will raise the IBNR factor incrementally over a period of three years, starting in 2018, reaching 20 percent in 2020.** After reaching 20 percent, the factor will be periodically reviewed for sufficiency. The planned implementation is as follows:

	2018	2019	2020
<b>IBNR Factor</b>	7 percent	14 percent	20 percent

The division understands that this is a significant shift in the security deposit calculation process that will require more financial contribution from self-insured employers and employer groups. However, this change is necessary to ensure the long-term health of the self-insurance coverage option in Oregon while placing the financial burden of insolvent self-insured employers and employer groups on the responsible entities.

If you have questions about this notice, please contact Self-Insurance, Registration, and Reimbursements manager [Barbra Hall](#) at 503-947-7751 or [barbra.hall@oregon.gov](mailto:barbra.hall@oregon.gov).

A handwritten signature in cursive script that reads "Louis D. Savage". The signature is written in black ink and is positioned above a horizontal line.

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Louis D. Savage, Administrator  
Workers' Compensation Division

Distribution: GovDelivery (self-insured employers and self-insured employer groups)