



Oregon

Kate Brown, Governor

Department of Consumer and Business Services

Workers' Compensation Division

350 Winter St. NE

P.O. Box 14480

Salem, OR 97309-0405

503-947-7810

Toll free: 800-452-0288

Fax: 503-947-7581

www.wcd.oregon.gov

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

Subject: Penalties for claims reserve inaccuracies

Industry Notice

This industry notice provides information about the assessment of penalties for claims reserve inaccuracies. Under Oregon Administrative Rule (OAR) 436-050-0175(10), the Workers' Compensation Division performs routine test audits, more commonly known as "claims reserve audits."

The audits ensure each self-insured employer and employer group's claims are valued appropriately for use in security deposit, experience rating, and retrospective rating calculations. If a self-insured employer or employer group's total claims values are found to be 10 percent or more below the division's determined values, the division may assess penalties. The division has not previously assessed penalties on this basis.

During the 2016 claims reserve audit cycle, the division will exercise its authority to assess penalties for claims reserve inaccuracies. The division may assess a penalty when total claims values are found to be 10 percent or more below the division's determined values. This action is due to a need to better ensure self-insured employers and employer groups are appropriately assigning claims values. Over time, this will help ensure the following:

- Improved accuracy of claims values for self-insured employers and employer groups not audited during any given annual audit schedule
- Improved security deposit consistency from year to year

We appreciate your compliance with the requirements of the Oregon Administrative Rules. For more information, please contact Self-Insurance, Registration, and Reimbursements manager **Adam Breitenstein** at 503-947-7751 or adam.j.breitenstein@oregon.gov.

John Shilts, Administrator
Workers' Compensation Division