

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
WORKERS' COMPENSATION DIVISION



**Workers with Disabilities Program  
Oregon Administrative Rules  
Chapter 436, Division 040**

*Effective July 1, 2008*

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**Revisions are marked as follows:**

Deleted text has a "strike-through" style, as in .....~~Deleted~~  
Added text is bold and underlined, as in.....**Added**

**HISTORY LINES:** These rules include only the most recent "History" lines. The history line shows when the rule was last revised (or "filed" if the rule has never been revised) and its effective date. To obtain a comprehensive history for OAR chapter 436, please call the Workers' Compensation Division, (503) 947-7627, or visit the division's Web site:

[http://wcd.oregon.gov/laws/Documents/Rule\\_history/436\\_history.pdf](http://wcd.oregon.gov/laws/Documents/Rule_history/436_history.pdf).

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**EXHIBIT "A"  
OREGON ADMINISTRATIVE RULES  
CHAPTER 436, DIVISION 040**

**436-040-0001 Authority for Rules**

These rules are promulgated under the director's authority contained in ORS 656.726 and 656.628.

**Stat. Auth.:** ORS 656.726

**Stats. Implemented:** ORS 656.628

**Hist:** WCD 1-1982(Admin), f. 1-20-82, ef. 2-1-82; WCD 6-1983(Admin), f. 12-20-83, ef. 1-1-84

**436-040-0002 Purpose**

The purpose of these rules is to establish guidelines for the administration of the Workers with Disabilities Program established to encourage the employment or re-employment of workers with disabilities.

**Stat. Auth.:** ORS 656.726

**Stats. Implemented:** ORS 656.628 (§286, ch. 70, OL 2007)

**Hist:** Amended 11/1/07 as WCD Admin. Order 07-061, eff. 1/1/08

**436-040-0003 Applicability of Rules**

(1) These rules are effective ~~December 26, 1990~~ **July 1, 2008**, and apply to all applications for relief submitted prior to May 1, 1990 and all requests for reimbursement from the Workers with Disabilities Program filed with the director on or after ~~December 26, 1990~~ **July 1, 2008** for injuries occurring on or after November 1, 1981.

(2) These rules carry out the provisions of ORS 656.628.

**Stat. Auth.:** ORS 656.726

**Stats. Implemented:** ORS 656.628 (§286, ch. 70, OL 2007)

**Hist:** Amended 11/1/07 as WCD Admin. Order 07-061, eff. 1/1/08

**Amended 6/12/08 as WCD Admin. Order 08-055, eff. 7/1/08**

**436-040-0005 Definitions**

Except where the context requires otherwise, these rules are governed by the following definitions:

(1) "**Compensation**" means all benefits, including medical services and attorney fees, provided for a compensable injury to a subject worker or the worker's beneficiaries. However, it does not include expenses as defined by the National Council on Compensation Insurance, in its Workers' Compensation Statistical Plan, Part IV.

(2) "**Deductible**" means the initial \$1,000 of cumulative compensation paid on qualifying claim(s) applied once per worker with a disability.

(3) "**Director**" means the director of the Department of Consumer and Business Services or the director's delegate for the matter.

(4) "**Division**" means the Workers' Compensation Division of the Department of Consumer and Business Services.

(5) "**Employer**" means an employer who qualifies pursuant to the provisions of ORS 656.017, either as a carrier-insured employer or as a self-insured employer under ORS 656.407.

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**(6) "Worker with a disability"** means a worker who is afflicted with, or subject to, any permanent physical or mental impairment, whether congenital or due to an injury or disease, including periodic impairment of consciousness or muscular control of such character that the impairment would prevent the worker from obtaining or retaining employment.

**(7) "Workers with Disabilities Claim Reserve"** means the total anticipated liability (paid plus future reimbursable costs) regardless of any relief granted under the Workers with Disabilities Program.

**(8) "Workers with Disabilities Program"** means the program established under ORS 656.628.

**(9) "Paying Agency"** means the insurer, self-insured employer, or designated representative of the self-insured employer, responsible for paying compensation for a compensable injury.

**(10) "Settlement"** means any agreement produced as a result of the act or process of settling differences between a paying agent and a worker with a disability, or disposition of a claim pursuant to ORS 656.236 or 656.289.

**Stat. Auth.:** ORS 656.726

**Stats. Implemented:** ORS 656.628 (§286, ch. 70, OL 2007)

**Hist:** Amended 11/1/07 as WCD Admin. Order 07-061, eff. 1/1/08

**436-040-0006 Administration of Rules**

For the purpose of administration of the Workers with Disabilities Program, orders of the division are deemed orders of the director.

**Stat. Auth.:** ORS 656.726

**Stats. Implemented:** ORS 656.628 (§286, ch. 70, OL 2007)

**Hist:** Amended 11/1/07 as WCD Admin. Order 07-061, eff. 1/1/08

**436-040-0008 Administrative Review**

(1) If a paying agency or employer is aggrieved by a decision of the division, the director may be petitioned for reconsideration.

(2) The director shall examine the application and such further evidence filed, and enter an order. Copies of the order will be sent to the paying agency, the division, and employer, if applicable. Granting or denying reimbursement from the Workers with Disabilities Program is at the sole discretion of the director. Pursuant to ORS 656.628(7), the director's order is final and not subject to review by any court or other administrative body.

(3) In adopting these rules, the director reserves the right to re-examine any liability created against the Workers' Benefit Fund and to modify or terminate such liability, where such action is justified.

**Stat. Auth.:** ORS 656.726

**Stats. Implemented:** ORS 656.628 (§286, ch. 70, OL 2007)

**Hist:** Amended 11/1/07 as WCD Admin. Order 07-061, eff. 1/1/08

**436-040-0010 Criteria for Eligibility**

(1) The criteria used to determine eligibility for relief from the Workers with Disabilities Program are:

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(a) Without regard to employer knowledge, a worker must have a permanent physical or mental impairment, whether congenital or due to an injury or disease which would prevent the worker from obtaining or retaining employment. For the purpose of this section, a worker has a pre-existing permanent impairment if it is equal to or greater than twenty five percent (25%) of the whole person.

(b) There must be a subsequent compensable injury or injuries:

(A) To the worker with a disability resulting in cumulative claim(s) costs in excess of \$1,000; or

(B) To other workers employed by the disabled worker's employer resulting in cumulative claim(s) costs in excess of \$1,000.

(c) The insurer or employer must demonstrate that the subsequent injury or injuries:

(A) Would not have been sustained except for the disabled worker's impairment; or

(B) Would not have occurred, to workers of the same employer, except for the act or omission of a worker with a disability which resulted from the disabled worker's impairment; or

(C) Resulted in disability which is at least one-fourth greater by reason of the worker's pre-existing impairment, as determined by the division.

(2) An employer declared noncomplying in accordance with ORS 656.052 is not eligible for relief from the Workers with Disabilities Program for injuries to subject workers occurring during any period of noncompliance.

(3) A paying agency is not eligible for reimbursement from the Workers with Disabilities Program for any claim occurring to a worker during a period for which the employer is receiving premium reimbursement from the Re-employment Assistance Program, for that worker, pursuant to ORS 656.622(3).

**Stat. Auth.:** ORS 656.726

**Stats. Implemented:** ORS 656.628 (§286, ch. 70, OL 2007)

**Hist:** Amended 11/1/07 as WCD Admin. Order 07-061, eff. 1/1/08

**436-040-0020      Limitation of Program**

(1) Reimbursement is limited to the monies available in the Workers' Benefit Fund .

(2) In the event of insufficient reserves in the Workers' Benefit Fund, the director shall have final authority to determine an equitable distribution which will proportionately distribute the available funds among the claims which have qualified for reimbursement from the Workers with Disabilities Program.

**Stat. Auth.:** ORS 656.726

**Stats. Implemented:** ORS 656.628 (§286, ch. 70, OL 2007)

**Hist:** Amended 11/1/07 as WCD Admin. Order 07-061, eff. 1/1/08

**436-040-0030      Application for Determination of Relief From the Workers with Disabilities Program**

(1) The paying agency must provide the director adequate evidence to establish eligibility for determination of relief from the Workers with Disabilities Program.

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(2) When the deductible has been met and possible eligibility for relief becomes known, the paying agency shall make prompt application to the division requesting determination of relief from the Workers with Disabilities Program in a form prescribed by the director.

(3) The application shall be submitted prior to the date of the last valuation affecting an employer's experience rating, prior to the last valuation for retrospective rating, whichever is the last to occur and prior to the employer ceasing to do business. The application shall be supported by sufficient evidence establishing eligibility for reimbursement under the general provisions herein and in accordance with OAR 436-040-0010. For employers that are not experience rated, application shall be submitted prior to the date there would have been a last valuation, had the employer been so rated, and prior to the employer ceasing to do business. The preceding application time frames do not apply to self-insured employers or their paying agencies.

(4) To meet the requirements of OAR 436-040-0030(3), the paying agency shall:

(a) Specify the condition which caused permanent impairment and which constituted a handicap;

(b) Specify whether this request is based on a causal or contributory relationship pursuant to OAR 436-040-0010(1)(c);

(c) Provide documentation describing prior impairment: such as medical reports, direct information from the worker, employer documentation, prior Determination Orders, Opinion and Orders, and Orders on Review;

(5) The division will review the application to assure it is complete and the \$1,000 deductible has been met. The application, supporting documentation, and claims involved will then be submitted to the division for an eligibility determination.

**Stat. Auth.:** ORS 656.726

**Stats. Implemented:** ORS 656.628 (§286, ch. 70, OL 2007)

**Hist:** Amended 11/1/07 as WCD Admin. Order 07-061, eff. 1/1/08

**436-040-0040 Eligibility Determination**

(1) The division shall determine whether a claim qualifies for reimbursement, and the percentage of the reimbursement.

(2) The division shall issue a determination order accepting or denying the application within 30 calendar days after receipt of the application and supporting documentation.

(3) The reimbursement percentage shown on the determination order will be:

(a) 100% after the \$1,000 deductible in those cases qualifying under OAR 436-040-0010(1)(c)(A) and (B); or

(b) In direct proportion to the percentage the resulting disability was increased as a result of the pre-existing impairment in those cases qualifying under OAR 436-040-0010(1)(c)(C).

**Stat. Auth.:** ORS 656.726

**Stats. Implemented:** ORS 656.628

**Hist:** Amended 11/1/07 as WCD Admin. Order 07-061, eff. 1/1/08

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**436-040-0050 Reimbursement**

(1) Reimbursement will be made to the paying agency based on the percentage of reimbursement ordered by the division.

(2) Request for reimbursement shall not be made until the deductible has been met.

(3) Requests for reimbursement are not to include: costs incurred for conditions unrelated to the compensable claim; costs incurred due to inaccurate, untimely, or improper processing; expenses; and settlement amounts not approved by the division, to which the parties agreed after relief was granted.

(4) The division will authorize reimbursement to the paying agency quarterly after receipt and approval of documentation of compensation paid from the paying agency. Documentation shall include, but not be limited to:

(a) Net amounts paid separated into disability benefits by type, and medical benefits for corresponding quarterly time periods;

(b) The current Worker with a Disability Claim Reserve as defined in these rules;

(c) Payment certification statement; and

(d) Any other information deemed necessary by the director.

(5) For purposes of subsection 4(a) of this rule, "net amounts paid" means the total compensation paid less any recoveries, including but not limited to, third party recovery, Retroactive Program reimbursement and Rehabilitation Program reimbursement.

(6) Periodically the division will audit the physical file of the paying agency to validate the amount reimbursed. Reimbursement shall not be approved if, upon such audit, any of the following are found to apply:

(a) Compensation has been paid as a result of untimely, inaccurate, or improper claims processing;

(b) Compensation has been paid for treatment of any condition unrelated to the compensable claim for which Workers with Disabilities Program relief was granted.

(c) The compensability of the accepted claim is questionable and the rationale for acceptance has not been reasonably documented, as required under generally accepted claims management procedures;

(d) The separate payments of compensation have not been documented, as required under generally accepted accounting procedures;

(e) For applications received after January 1, 1990, the subject employer was no longer doing business at the time of application for the Workers with Disabilities Program determination; that the employer was on a retrospective rating plan that was closed prior to the application for the Workers with Disabilities Program determination; or, if not on an open retrospective rating plan, that the last valuation for experience rating modification purposes that could affect the employer was completed prior to the application for the Workers with Disabilities Program determination;

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(f) The insurer did not adjust the claims reserve value used in dividend, retrospective evaluation, or any claim valuation for experience rating determination to the percentage level specified in the order of acceptance, allowing for the \$1,000 compensation minimum, or did not make the necessary monetary adjustments with the employer; or

(g) The insurance carrier is not able to provide applicable records relating to experience rating, retrospective rating or dividend calculations at the time of audit or within ten working days thereafter. Any reimbursements received on claims, for which the insurer is unable to provide records, will be returned to the division at least until the next annual audit is conducted and all applicable records are reviewed.

(7) The division will authorize reimbursement to insurance companies only for compensation which could reasonably be projected at the first of either to occur;

(a) The last claim evaluation which would affect the employer's experience rating modification or retrospective rating adjustment, whichever is later; or

(b) For applications received after January 1, 1990, the employer ceases to do business, if that occurs first.

(8) The insurance company shall submit a claim valuation to the division at the first to occur of:

(a) The last claim valuation date which would affect the employer's experience rating modification or retrospective rating adjustment, whichever is later (usually three and one half years after the inception of the policy period); or

(b) For applications received after January 1, 1990, the employer ceases to do business. The valuation shall include future reserves for the claim at that time. The division will verify the future reserves are reasonable and based on the appropriate valuation date. If the division determines the submitted claim valuation is unreasonable or based on inappropriate information, the division may establish the claim valuation or adjust the claim valuation period. The claim valuation, when approved by the division, shall be the maximum Worker with a Disability Claim Reserve used as the basis for reimbursement for the claim.

(9) When a claim is settled by a Compromise and Release or a Disputed Claims Settlement, the department shall review and modify the final reserve to reflect resulting changes in liability. The paying agent shall be notified of any change in the final reserve. A director review of this action will be considered only when paid claim costs have exceeded the established reserve.

(10) In the event that a denied claim is found compensable by a hearing referee, the Workers' Compensation Board, or the Court of Appeals, and that decision is reversed by a higher level of appeal, the paying agency shall receive reimbursement for claim payments required to be made while the claim was in accepted status.

**Stat. Auth.:** ORS 656.726

**Stats. Implemented:** ORS 656.628 (§286, ch. 70, OL 2007)

**Hist:** Amended 11/1/07 as WCD Admin. Order 07-061, eff. 1/1/08



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**436-040-0060      Effects on Rates; Reporting**

(1) Where an order of acceptance has established the percentage of reimbursement to an insured, the incurred claim cost above \$1,000, prior to reimbursement, shall be reduced by that percentage. The net incurred cost after such reduction shall be used in any dividend calculation, retrospective rating evaluation or experience rating computation, retroactively if necessary, and shall be reported at that net incurred cost to the rating organization. Any subsequent re-evaluation of the claims reserve requirements under the rules of the Unit Statistical Plan Manual shall be similarly reduced by the percentage of reimbursement.

(2) The paying agency "eligible for" or receiving reimbursement from the Workers with Disabilities Program, shall report the subject claims in such method and manner as the insurance commissioner shall require. Notwithstanding the reporting requirements of the Insurance Commissioner and an authorized rating organization, the paying agency must be able to document that such reimbursed costs are not and will not be included in data reported that will affect the rates and/or dividend eligibility.

(3) If compensation reported to the appropriate rating organization subsequently becomes eligible for reimbursement from the Workers with Disabilities Program, the insured paying agency shall immediately file a "re-evaluation of losses" report, pursuant to the Insurance Commissioner's rules, with a rating organization licensed by the Insurance Commissioner.

(4) If compensation used by the division for experience rating purposes becomes eligible for reimbursement from the Workers with Disabilities Program, the self-insured paying agency may file a request for re-evaluation of experience rating modification(s) with the division. Any necessary calculation(s) will be made, retroactively if necessary, when the annual experience rating modification is calculated.

**Stat. Auth.:** ORS 656.726

**Stats. Implemented:** ORS 656.628 (§286, ch. 70, OL 2007)

**Hist:** Amended 11/1/07 as WCD Admin. Order 07-061, eff. 1/1/08

**436-040-0070      Settlements**

(1) Any settlement of the claim by the parties is not eligible for reimbursement from the Workers with Disabilities Program unless made with the prior written approval of the division.

(2) Requests for written approval of proposed settlements should include:

(a) A copy of the proposed settlement;

(b) Correspondence between the paying agency and the claimant or claimant's representative which establishes the basis for settlement or a statement from the paying agency of how the amount of the settlement was calculated;

(c) Additional medical reports not available at the time of the determination; and

(d) Other material which would support the proposed settlement as an appropriate manner to handle the claim.

(3) The paying agency shall submit settlements to the division in the format prescribed by the director.

**Stat. Auth.:** ORS 656.726

**Stats. Implemented:** ORS 656.628 (§286, ch. 70, OL 2007)

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Hist: Amended 11/1/07 as WCD Admin. Order 07-061, eff. 1/1/08

**436-040-0080 Third Party Recoveries**

(1) If a third party recovery is made prior to a claim qualifying for Workers with Disabilities Program relief, compensation recovered shall be credited against the compensation of the claim prior to any request for reimbursement.

(2) The Workers with Disabilities Program shall be a party to any third party recovery on a claim if payment from the program has been made prior to the third party recovery as provided in ORS 656.591 and ORS 656.593(1)(c).

Stat. Auth.: ORS 656.726

Stats. Implemented: ORS 656.628 (§286, ch. 70, OL 2007)

Hist: Amended 11/1/07 as WCD Admin. Order 07-061, eff. 1/1/08

**436-040-0090 Assessment of Civil Penalties**

The director, through the division and pursuant to ORS 656.745, may assess a civil penalty against an insurer. When the division imposes a penalty under this section, the order shall be issued in accordance with ORS 656.447, ORS 656.704 and the contested case provisions of the Administrative Procedures Act (ORS Chapter 183).

Stat. Auth.: ORS 656.726

Stats. Implemented: ORS 656.628

Hist: Amended 11/1/07 as WCD Admin. Order 07-061, eff. 1/1/08

**436-040-0100 Suspension and Revocation of Authorization to Issue Guaranty Contracts  
(Repealed)**

~~(1) Pursuant to ORS 656.447, the director may suspend or revoke the insurer's authority to issue guaranty contracts upon a determination that the insurer has failed to comply with its obligations under such contract or that it has failed to comply with the rules or orders of the director.~~

~~(2) For the purpose of this rule:~~

~~(a) "Suspension" and its variations means a stopping by the director of the insurer's authority to issue new guaranty contracts for a specified period of time.~~

~~(b) "Revocation" and its variations means a permanent revocation by the director of an insurer's authority to issue guaranty contracts.~~

~~(c) "Show cause hearing" means an informal meeting with the director or designee in which the insurer shall be provided an opportunity to be heard and present evidence regarding any proposed orders by the director to suspend or revoke an insurer's authority to issue guaranty contracts.~~

~~(3) Suspension or revocation under this rule will not be made until the insurer has been given notice and the opportunity to be heard through a show cause hearing before the director and "show cause" why it should be permitted to continue to issue guaranty contracts.~~

~~(4) A show cause hearing may be held at any time the director finds that an insurer has failed to comply with its obligations under a guaranty contract or that it failed to comply with rules or orders of the director.~~

~~(5) Following a show cause hearing, the director may rescind the proposed order if the~~

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~~insurer establishes to the director's satisfaction its ability and commitment to comply with ORS Chapter 656 and these rules.~~

~~(6) A suspension may be in effect for a period of up to 18 months. A suspended insurer may continue to serve existing accounts and renew any existing policy, unless the policy lapses or is canceled during the period of suspension.~~

~~(7) After 12 months of the suspension has elapsed, the division may audit the performance of the insurer. If the insurer is in compliance, the administrator may request the director to lift the suspension before the 18 months has elapsed. If the insurer is not in compliance, the administrator may request the director revoke the insurer's authority to issue guaranty contracts.~~

~~(8) When an insurer's authority to issue guaranty contracts has been revoked, the insurer may serve an existing account only until the policy lapses, is canceled or until the next renewal date, whichever first occurs.~~

~~(9) After a revocation of an insurer's authority to issue guaranty contracts has been in effect for five (5) years or longer, it may petition the director to restore its authority by submitting a plan in the form prescribed by the director, demonstrating its ability and commitment to comply with the workers' compensation law, these rules and orders of the director.~~

~~(10) Appeal of proposed and final orders of suspension and revocation issued under this rule may be made as provided in OAR 436-040-0008.~~

~~(11) Any order of suspension or revocation issued by a referee or other person pursuant to ORS 656.447 and this rule is a preliminary order subject to revision by the director.~~

**Stat. Auth.:** ORS 656.726

**Stats. Implemented:** ORS 656.628

**Hist:** Amended 11/1/07 as WCD Admin. Order 07-061, eff. 1/1/08

**Repealed 6/12/08 as WCD Admin. Order 08-055, eff. 7/1/08**