Exhibit
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BEFORE THE DIRECTOR OF THE
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
OF THE STATE OF OREGON

PUBLIC RULEMAKING HEARING

In the Matter of the Amendment of OAR: • 436-180, Worker Leasing • 436-162, Electronic Data Interchange; Proof of Coverage • 436-050, Employer/Insurer Coverage Responsibility • 436-060, Claims Administration • 436-105, Employer-at-Injury Program • 436-110, Preferred Worker Program	))))	TRANSCRIPT OF TESTIMONY

The proposed amendment to the rules was announced in the Secretary of State's Oregon Bulletin dated June 23, 2023. On August 6, 2026, a public rulemaking hearing was held as announced at 11:00am via video and teleconference from the Labor & Industries Building, 350 Winter Street NE, Salem, Oregon. Katie VanCleave, from the Workers' Compensation Division, was the hearing officer. The record will be held open for written comment through August 14, 2026.

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Katie VanCleave, Workers Compensation Division (WCD):

Good morning and welcome. This is a public rulemaking hearing.

My name is Katie VanCleave, and I'll be the presiding officer for the hearing.

The time is now 11 a.m. on Thursday, August 6, 2027. We are conducting this hearing virtually, by video and telephone conferencing. We are making an audio recording of the hearing.

The Workers' Compensation Division of the Department of Consumer and Business Services proposes to amend chapter 436 of the Oregon Administrative Rules, specifically:

- Division 180, Worker Leasing
- Division 162, Electronic Data interchange; Proof of Coverage

- Division 050, Employer/Insurer coverage Responsibility
- Division 060, Claims Administration
- Division 105, Employer-at-Injury Program
- Division 110, Preferred Worker Program

The department has:

- Summarized the proposed rule changes and prepared an estimate of fiscal and economic impacts in the notice of proposed rulemaking filed with the Oregon Secretary of State;
- Published rulemaking notice to its postal and electronic mailing lists;
- Notified Oregon legislators as required by ORS chapter 183; and
- Posted public notice and the proposed rules to its website.

The Oregon Secretary of State:

- Published the hearing notice in its *Oregon Bulletin* dated June 23, 2026.

This hearing gives the public the opportunity to provide comment about the proposed rules. In addition, the division will accept written comment through and including August 14th and will make no decisions until all of the testimony is considered.

We will be ready to receive testimony in just a second. Let me just make sure everybody is in.

All right. We are ready to receive public testimony. Jenny Dressler is here from NAPEO. Jenny, would you like to provide your testimony?

Jenny Dresler, NAPEO:

Thank you. Good morning.

My name is Jenny Dressler, and I'm here today on behalf of the National Association of Professional Employer Organizations, or NAPEO. We thank you for the opportunity to comment on the Workers' Compensation Division's proposed rules implementing House Bill 2800. To start, I want to thank the division and its staff for the collaborative approach that you have taken throughout this rulemaking process. NAPEO has appreciated the opportunity to participate in stakeholder meetings to provide technical feedback and to work with the division as these rules have been developed. Overall, NAPEO believes the proposed rules represent substantial progress towards modernizing Oregon's PEO framework.

We are not asking the division to revisit the policy decisions made in House Bill 2800, but rather our recommendations focus on implementing those decisions in a manner that is administratively workable, consistent with established practice, and supportive of the division's regulatory objectives. First, we respectfully request that the proposed seven-day notification requirement under OAR 436-180-0110 be revised to 30 days. NAPEO fully supports the timely communication between PEOs and workers' compensation insurers. A recommendation is not intended to delay notification. It is intended to establish a reporting time frame that is reasonable and consistent.

Oregon has successfully operated under a 30-day notification requirement for many years. Retaining that standard would preserve an established process while avoiding unnecessary operational complexity. The 30-day period would also align Oregon with the most common approach among states that establishes a specific deadline for comparable workers' compensation notifications. Alabama, Florida, and North Carolina each provide 30 days, while many states do not impose a specific deadline. The proposed rule also establishes a 30-day reporting period for most other reporting events under this section including changes, corrections, and terminations. Applying a different deadline only to new client notifications and reinstatements creates unnecessary inconsistency within the same rule. A uniform 30-day standard would be easier to understand, administer, and comply with, while still providing insurers with timely information.

Second, we encourage the division to continue implementing Oregon's multiple coordinated policy framework in close alignment with established MCP states. We appreciate the division's statements that it is not seeking to reinvent the wheel and intends to build upon systems already operating elsewhere. We strongly support that approach. Alignment with established MCP frameworks allows insurers to use existing policy structures and administrative systems rather than developing Oregon-specific processes. It can help facilitate the administration of multi-state risks, reduce unnecessary complexity, preserve available premium efficiencies, and support a competitive workers' compensation marketplace. Conversely, unique Oregon requirements would increase administrative costs and complexity, which may influence carrier participation decisions. NAPEO respectfully asks that the division adopt a uniform 30-day notification period and continue implementing Oregon's MCP framework in close alignment with the established states. We believe these recommendations will promote consistency, reduce implementation risk, and support the long-term success of House Bill 2800.

I have addressed why these recommendations make sense from a regulatory and policy perspective, and Anne Donovan, the CEO of Xenium HR, will soon explain why these make sense from the perspective of an Oregon-based PEO, who is responsible for implementing these rules every day. We thank you for your time and consideration, and again, for your collaboration. as an agency. Thank you.

Katie VanCleave, WCD):

Thank you for that testimony. Is there anyone else who would like to testify at this time?

Anne Donovan, Xenium HR:

Yes, I would. I'm Anne Donovan.

Thank you, and thanks to everyone for being a part of this.

Good morning. My name is Anne Donovan, and I'm the president of Xenium HR, a professional employer organization headquartered in Tualatin, Oregon. I also serve as the Oregon Leadership Council Chair for the National Association of Professional Employer Organizations, or NAPEO.

Jenny has addressed the policy and regulatory reasons supporting NAPEO's recommendations. I would like to briefly explain what those recommendations mean from the perspective of an Oregon PEO who is responsible for implementing these rules in practice. At Xenium, we work directly with Oregon small and mid-sized businesses. Our clients rely on us to administer payroll, human resources, employee benefits, employment taxes, and workers' compensation accurately and efficiently so they can focus on operating and growing their businesses. From the operational perspective, we believe extending the proposed seven-day notification requirement to 30 days would support more accurate reporting while still accomplishing the division's objectives.

Onboarding a new client is not a single event. Every implementation is different. Some clients have a small number of employees, while others may have hundreds. Some are changing carriers, and others may be transitioning from another PEO. In each case, onboarding requires coordination across multiple departments and technology systems. We must verify employee and payroll information, workers compensation classifications, coverage details, tax information, and other client data before that information is transmitted. These steps are not administrative delays, they are quality control measures designed to ensure the information provided to the insurer is complete and accurate. A seven-day deadline creates significant pressure during that process and a greater risk of incomplete notices, later corrections, or inadvertent reporting errors.

A 30-day time frame allows PEOs to complete the necessary reviews responsibly while still providing insurers with timely notice. It would also align new client and reinstatement notices with the other 30-day reporting requirements in the proposed rule, creating a clearer and more consistent compliance process.

I also want to briefly address Oregon's transition to a multiple coordinated policy framework. Our clients benefit when carriers and PEOs can rely on familiar systems and processes that are already operating in other states. The more closely Oregon aligns with established MCP models, the easier it is to administer coverage efficiently and consistently. Unique Oregon specific requirements must be programmed, reviewed, monitored, and administered separately. That adds complexity and cost and can create additional opportunities for error. From the perspective of Oregon employers, alignment matters because a stable and competitive workers compensation market can provide greater choice and continued access to coverage.

We appreciate the division's collaborative approach and its willingness to listen to the businesses and organizations that will be responsible for implementing these rules. As a PEO leader that has been operating in Oregon for over 26 years, I believe these recommendations are practical and achievable. A 30-day notification period would support complete and accurate reporting, while close alignment with established MCP states would reduce unnecessary complexity and support successful implementation. Thank you for your time and consideration. I'd like to turn it over to Paul Hughes to further comment on the proposed rules and the proposed Oregon MCP framework.

Paul Hughes, Arthur J. Gallagher Company:

Thank you, Anne.

My name is Paul Hughes. I'm the head of the PEO and staffing practice at the Arthur J. Gallagher Company. My trade is that of an insurance broker that specializes in casualty insurance to include workers' compensation for PEOs, employers of record, or temporary staffing companies.

As has been alluded earlier, the structure or how the MCP is actually defined and the naming conventions of the MCP matter due to combinability issues of accounts that have multiple state exposures. And so, if I, as an insurance broker, go to the state of Massachusetts who has a unique MCP naming convention, nothing in Massachusetts could be combined with a California, with an Oregon, with a Texas [policy], because the naming conventions don't match up. So one of the things that that impacts is the administration from a regulator standpoint- but it also impacts our PEO clients from an economic standpoint- because now we have two policies, which means we have two expense constant charges. So that's an extra $200 that's unnecessary. Not to mention that if the naming conventions are not combinable, the premium is therefore not combinable for the purposes of a stock premium discount, a discount that is provided in the work comp system based on just sheer premium volume. So, not being able to get to that larger premium volume reduces the discount that would be afforded to that same client if they used to use the traditional market and got a traditional policy versus a multiple coordinated policy.

So, in discussing this with friends at carriers like Zurich and NAIG and Chubb that specialize in this formats that have worked for them, they suggested would be what is currently being used in California or Colorado and certainly welcome, you know, any questions or any input I might give on that front.

The second bucket that, you know, I wanted to mention is that because of the MCP is a dual named insured and because the client now as a named insured has the same regulatory rights theoretically as the PEO, I'm not sure if anybody has evaluated what happens when an MCP is issued, but due to a default or due to the lack of the insured wanting to do business with the PEO or vice versa for that matter, whether the same regulations are going to apply to a PEO or PEO MCP policy as would be dealt with in the typical Oregon traditional marketplace. I think there might be some discussion there just to have those integrated so that our clients know if there was a default, for instance, from a financial standpoint, would they be able to, in essence, eliminate that client relationship in totality without breaking any proper rules in the work comp system of Oregon?

Lastly, and I promise I won't digress too far on this, but I have seen in other states where, California being one, where the conversion to a multiple coordinated policy tended to construct a unique industry class of sole employers that kind of acted like PEOs, but all of a sudden now they don't need MCPs because they're having client companies, in essence, fire their employees, absorb them onto the sole employer being this, you know, I call them faux PEOs. And then those employees are placed back into that same client. And as you can imagine, that is not why MCPs are set up. It breaks the rules of the experience rating system. And I would just ask, I know I speak for NAPEO and Anne and everyone is, you know, help us to help you to make sure that the proper entities, PEOs, fall under these rules and those that are acting like PEOs are governed differently or at least understood because I've just seen that exposure prop up time and time again as these changes are made in other states over my 30 plus year career. So, again, I thank you for the collaboration. I thank you for listening and I appreciate the time.

Katie VanCleave, WCD

Thank you for that testimony. Is there anyone else who would like to testify at this time?

Hearing no one, in a moment I will recess the hearing, but we will resume for additional testimony if anyone wishes to testify before 11:30a.m.

Is there anyone else who would wish to testify before we recess?

The hearing is recessed at 11:15 a.m.

The hearing is resumed at 11:20 a.m. Is there anyone who would like to testify at this time?

Hearing no one, in a moment I will recess the hearing, but we will resume for additional testimony if anyone wishes to testify before 11:30 a.m.

The hearing is recessed at 11:20 a.m.

The hearing is resumed at 11:27 a.m.

Is there anyone who would like to testify at this time?

Hearing no one, we will recess the hearing, but I want to thank you all for joining us. Again, the record remains open for written testimony through and including August 14th. You may submit testimony in any written form. I encourage you to submit your testimony by e-mail or as attachments to e-mail. However, you may also use US mail. I will acknowledge all testimony received.

The hearing is recessed at 11:28 a.m. Thank you for coming.

The hearing is adjourned.

Transcribed from a digital audio recording by Katie VanCleave, 8/6/2026.