



STATE OF OREGON

INTEROFFICE MEMO

Governor Atiyeh

DATE: March 2, 1982

FROM:

Bob Smith *MS*
Darrell Ralls *DR*

SUBJECT:

State Workers' Compensation Costs

Last biennium the Executive Department reviewed the State's workers' compensation costs and concluded that we should consider self insuring this coverage. We discussed the possibility of General Services analyzing the alternatives but deferred this because of the complexity of transferring the tort liability program to General Services.

We are rapidly moving toward the time when you will face budget and legislative issues for the next biennium. The Department of General Services feels there is not sufficient time or in-house expertise available to fully study the idea of self insuring workers compensation coverage. Self insurance is a substantial economic issue that deserves considerable thought to avoid a repetition of the problems created when the State began self insuring its tort liability.

A logical first step would be to begin placing the State's workers compensation insurance into the competitive market through General Services' Risk Management Division. SAIF should not have a captive market, but instead be one vendor available to state government along with all private carriers. General Services would place that coverage with the most cost effective carrier. A further advantage would be giving General Services some experience with this program to allow it to make future recommendations for alternative coverage, including self insurance.

The above suggestion is strongly being considered by our two departments. However, preparatory to final recommendation to you we believe it is wise for General Services to analyze the State's potential cost savings through placing this insurance in a competitive market. To do this General Services needs to review claims costs, premiums, etc. This will undoubtedly raise some alarm at SAIF and possibly elsewhere. Therefore we are asking your approval for General Services to analyze this idea, including requesting necessary information from SAIF.

Our interest in this idea is certainly heightened by the success that General Services has had during the last 8 months in reducing other insurance costs. Attached is an outline of some of the major cost reductions that have been achieved through new policies and business approaches.

DR:SD

Attachment