

# Senate Bill 559

Sponsored by COMMITTEE ON COMMERCE

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Eliminates guaranty contracts as method of providing workers' compensation coverage. Authorizes issuance of workers' compensation insurance policies in place of guaranty contracts. Establishes requirements for policy term based filings related to proof of coverage and termination of coverage by insurers. Allows Director of Department of Consumer and Business Services to adopt rules requiring electronic filing of reports with Department of Consumer and Business Services. Becomes operative July 1, 2009.

## A BILL FOR AN ACT

1  
2 Relating to workers' compensation guaranty contracts; creating new provisions; and amending ORS  
3 654.097, 656.005, 656.039, 656.128, 656.210, 656.268, 656.407, 656.419, 656.423, 656.427, 656.443,  
4 656.447, 656.622, 656.628, 656.726, 656.730, 656.740, 656.850, 731.158, 731.475, 731.480, 731.590,  
5 731.608, 731.628, 737.602 and 746.145.

6 **Be It Enacted by the People of the State of Oregon:**

7 **SECTION 1.** ORS 656.419 is amended to read:

8 656.419. (1) A [*guaranty contract*] **worker's compensation insurance policy** issued by an  
9 insurer **under this section** shall provide that the insurer agrees to assume, without monetary limit,  
10 the liability of the employer, arising during the period the [*guaranty contract*] **policy** is in effect, for  
11 prompt payment of all compensation for compensable injuries that may become due under this  
12 chapter to subject workers and their beneficiaries.

13 (2)(a) [*A guaranty contract issued by a guaranty contract*] **The insurer issuing the workers'**  
14 **compensation insurance policy** shall [*be filed*] **file proof of coverage** with the Director of the  
15 Department of Consumer and Business Services [*by the insurer*] within 30 days after workers' com-  
16 pensation coverage of the employer is effective. The filing shall be in [*such*] **the** form and manner  
17 **and shall include any information that** [*as*] the director may prescribe **by rule**. [*A guaranty con-*  
18 *tract shall contain:*]

19 [*(a) The name and address of the employer;*]

20 [*(b) A description of the occupation in which the employer is engaged or proposes to engage;*]

21 [*(c) The effective date of the workers' compensation coverage;*]

22 [*(d) Notice that an employer has elected to provide coverage pursuant to ORS 656.039; and*]

23 [*(e) Such other information as the director may from time to time require.*]

24 **(b) An insurer shall file the proof of coverage required under this section for each new**  
25 **or renewed policy issued by the insurer.**

26 (3) Workers' compensation coverage is effective when the application of the subject employer for  
27 coverage together with any required fees or premium are received and accepted by an authorized  
28 representative of an insurer **or on the date specified in writing by the employer and the**  
29 **insurer.**

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1        [(4) *If the name or address of an insured employer is changed, the insurer shall, within 30 days*  
 2 *after the date the change is received by the insurer, file a change-of-name or change-of-address notice*  
 3 *with the director setting forth the correct name and address of the employer.*]

4        [(5)] (4) Coverage of an employer under a [*guaranty contract*] **workers' compensation insur-**  
 5 **ance policy** continues until [*anceled or terminated as provided by ORS 656.423 or 656.427.*]:

6        (a) **The expiration of the term of the policy;**

7        (b) **The coverage is canceled prior to the expiration date of the policy as provided by ORS**  
 8 **656.423 or 656.427;**

9        (c) **Another insurer files proof of coverage on behalf of the employer; or**

10       (d) **The employer becomes self-insured under ORS 656.430.**

11       **SECTION 2.** ORS 656.423 is amended to read:

12       656.423. (1) An insured employer may cancel coverage with the insurer by giving the insurer at  
 13 least 30 days' written notice, unless a shorter period is permitted by subsection (3) of this section.

14       (2) Cancellation of coverage is effective at 12 midnight 30 days after the date the cancellation  
 15 notice is received by an authorized representative of the insurer, unless a later date is specified.

16       (3) An employer may cancel coverage effective less than 30 days after written notice is received  
 17 by an [*agent*] **authorized representative** of the insurer by providing other coverage, [*or*] by be-  
 18 coming a self-insured employer **or by agreement of the employer and the insurer**. A cancellation  
 19 under this subsection is effective immediately upon the effective date of the other coverage, **on**  
 20 [*or*] the effective date of certification as a self-insured employer **or on a date agreed upon in**  
 21 **writing by the employer and insurer.**

22       (4) **The insurer shall file a notice of cancellation with the Director of the Department of**  
 23 **Consumer and Business Services within 10 calendar days after the effective date of the can-**  
 24 **cancellation or the date on which the insurer receives the notice required under subsection (1)**  
 25 **of this section, whichever is later. The notice required under this subsection shall be in the**  
 26 **form and manner and shall contain any information that the director may prescribe by rule.**

27       **SECTION 3.** ORS 656.427 is amended to read:

28       656.427. (1) An insurer that issues [*a guaranty contract or a surety bond*] **a workers' compen-**  
 29 **sation insurance policy** to an employer under this chapter may [*terminate liability on its contract*  
 30 *or bond, as the case may be,*] **cancel the policy prior to the expiration date of the policy** by giving  
 31 the employer and the Director of the Department of Consumer and Business Services notice of [*ter-*  
 32 *mination*] **cancellation** in accordance with rules adopted by the director. [*A notice of termination*  
 33 *shall state the effective date of termination.*] **Notice required under this section must be provided**  
 34 **to the director within 10 calendar days after the effective date of the cancellation provided**  
 35 **in the notice given to the employer.**

36       (2) An insurer may [*terminate liability*] **cancel a workers' compensation insurance policy** un-  
 37 der this section as follows:

38       (a) If the [*termination of a guaranty contract*] **cancellation** is for reasons other than those set  
 39 forth in paragraph (b) of this subsection, it is effective at 12 midnight not less than 30 days after  
 40 the date the notice is mailed to the employer.

41       (b) If the [*termination of a guaranty contract*] **cancellation** is based on the insurer's decision not  
 42 to offer insurance to employers within a specific premium category, it is effective not sooner than  
 43 90 days after the date the notice is mailed to the employer.

44       [*The termination of a surety bond is effective at 12 midnight not less than 30 days after the date*  
 45 *the notice is received by the director.*]

1 (3) Notice to the employer under this section shall be given by mail, addressed to the employer  
 2 at the last-known address of the employer. If the employer is a partnership, notice may be given to  
 3 any of the partners. If the employer is a limited liability company, notice may be given to any  
 4 manager, or in a member managed limited liability company, to any of the members. If the employer  
 5 is a corporation, notice may be given to any agent or officer of the corporation under whom legal  
 6 process may be served.

7 (4) *[Termination]* **Cancellation of a workers' compensation insurance policy** shall in no way  
 8 limit liability that was incurred under the *[guaranty contract or surety bond]* **policy** prior to the ef-  
 9 fective date of the *[termination]* **cancellation**.

10 (5) If, before the effective date of a *[termination]* **cancellation** under this section, the employer  
 11 gives notice to the insurer that it has not obtained coverage from another insurer and intends to  
 12 become insured under the assigned risk plan established under ORS 656.730, the insurer shall  
 13 *[insure]* **ensure** that continuing coverage is provided to the employer under the plan without further  
 14 application by the employer, transferring the risk to the plan as of the effective date of  
 15 *[termination]* **cancellation**. If the insurer is a servicing carrier under the plan, it shall continue to  
 16 provide coverage for the employer as a servicing carrier, at least until another servicing carrier is  
 17 provided for the employer in the normal course of administering the plan. If the insurer is not a  
 18 servicing carrier, it shall apply to the plan for coverage on the employer's behalf. Nothing in this  
 19 section is intended to limit the authority of administrators of the plan to require the employer to  
 20 provide deposits or to make payments consistent with plan requirements. However, the rules of the  
 21 plan shall allow any deposit requirements imposed by the plan to be deferred for as long as one year.

22 (6) **The cancellation of a workers' compensation insurance policy under this section is**  
 23 **effective on the earliest of:**

24 (a) **The expiration of the term of the policy;**

25 (b) **The effective date of a cancellation under subsection (2) of this section; or**

26 (c) **The effective date of a policy for which another insurer makes a proof of coverage**  
 27 **filing on behalf of the employer.**

28 **SECTION 4.** ORS 656.726 is amended to read:

29 656.726. (1) The Workers' Compensation Board in its name and the Director of the Department  
 30 of Consumer and Business Services in the director's name as director may sue and be sued, and each  
 31 shall have a seal.

32 (2) The board hereby is charged with reviewing appealed orders of Administrative Law Judges  
 33 in controversies concerning a claim arising under this chapter, exercising own motion jurisdiction  
 34 under this chapter and providing such policy advice as the director may request, and providing such  
 35 other review functions as may be prescribed by law. To that end any of its members or assistants  
 36 authorized thereto by the members shall have power to:

37 (a) Hold sessions at any place within the state.

38 (b) Administer oaths.

39 (c) Issue and serve by the board's representatives, or by any sheriff, subpoenas for the attend-  
 40 ance of witnesses and the production of papers, contracts, books, accounts, documents and testimony  
 41 before any hearing under ORS 654.001 to 654.295, 654.750 to 654.780 and this chapter.

42 (d) Generally provide for the taking of testimony and for the recording of proceedings.

43 (3) The board chairperson is hereby charged with the administration of and responsibility for the  
 44 Hearings Division.

45 (4) The director hereby is charged with duties of administration, regulation and enforcement of

1 ORS 654.001 to 654.295, 654.750 to 654.780 and this chapter. To that end the director may:

2 (a) Make and declare all rules and issue orders which are reasonably required in the perform-  
3 ance of the director's duties. Unless otherwise specified by law, all reports, claims or other docu-  
4 ments shall be deemed timely provided to the director or board if mailed by regular mail or  
5 delivered within the time required by law. Notwithstanding any other provision of this chapter, the  
6 director may adopt rules to [*allow for*] **require** the electronic transmission and filing of reports,  
7 claims or other documents required to be filed under this chapter. Notwithstanding ORS 183.310 to  
8 183.410, if a matter comes before the director that is not addressed by rule and the director finds  
9 that adoption of a rule to accommodate the matter would be inefficient, unreasonable or unneces-  
10 sarily burdensome to the public, the director may resolve the matter by issuing an order, subject to  
11 review under ORS 656.704. Such order shall not have precedential effect as to any other situation.

12 (b) Hold sessions at any place within the state.

13 (c) Administer oaths.

14 (d) Issue and serve by representatives of the director, or by any sheriff, subpoenas for the at-  
15 tendance of witnesses and the production of papers, contracts, books, accounts, documents and tes-  
16 timony in any inquiry, investigation, proceeding or rulemaking hearing conducted by the director  
17 or the director's representatives. The director may require the attendance and testimony of em-  
18 ployers, their officers and representatives in any inquiry under this chapter, and the production by  
19 employers of books, records, papers and documents without the payment or tender of witness fees  
20 on account of such attendance.

21 (e) Generally provide for the taking of testimony and for the recording of such proceedings.

22 (f) Provide standards for the evaluation of disabilities. The following provisions apply to the  
23 standards:

24 (A) The criterion for evaluation of permanent impairment under ORS 656.214 is the loss of use  
25 or function of a body part or system due to the compensable industrial injury or occupational dis-  
26 ease. Permanent impairment is expressed as a percentage of the whole person. The impairment value  
27 may not exceed 100 percent of the whole person.

28 (B) Impairment is established by a preponderance of medical evidence based upon objective  
29 findings.

30 (C) The criterion for evaluation of work disability under ORS 656.214 is permanent impairment  
31 as modified by the factors of age, education and adaptability to perform a given job.

32 (D) When, upon reconsideration of a notice of closure pursuant to ORS 656.268, it is found that  
33 the worker's disability is not addressed by the standards adopted pursuant to this paragraph,  
34 notwithstanding ORS 656.268, the director shall stay further proceedings on the reconsideration of  
35 the claim and shall adopt temporary rules amending the standards to accommodate the worker's  
36 impairment.

37 (E) Notwithstanding any other provision of this section, only impairment benefits shall be  
38 awarded under ORS 656.214 if the worker has been released to regular work by the attending phy-  
39 sician or nurse practitioner authorized to provide compensable medical services under ORS 656.245  
40 or has returned to regular work at the job held at the time of injury.

41 (g) Prescribe procedural rules for and conduct hearings, investigations and other proceedings  
42 pursuant to ORS 654.001 to 654.295, 654.750 to 654.780 and this chapter regarding all matters other  
43 than those specifically allocated to the board or the Hearings Division.

44 (h) Participate fully in any proceeding before the Hearings Division, board or Court of Appeals  
45 in which the director determines that the proceeding involves a matter that affects or could affect

1 the discharge of the director's duties of administration, regulation and enforcement of ORS 654.001  
2 to 654.295 and 654.750 to 654.780 and this chapter.

3 (5) The board may make and declare all rules which are reasonably required in the performance  
4 of its duties, including but not limited to rules of practice and procedure in connection with hearing  
5 and review proceedings and exercising its authority under ORS 656.278. The board shall adopt  
6 standards governing the format and timing of the evidence. The standards shall be uniformly fol-  
7 lowed by all Administrative Law Judges and practitioners. The rules may provide for informal pre-  
8 hearing conferences in order to expedite claim adjudication, amicably dispose of controversies, if  
9 possible, narrow issues and simplify the method of proof at hearings. The rules shall specify who  
10 may appear with parties at prehearing conferences and hearings.

11 (6) The director and the board chairperson may incur such expenses as they respectively de-  
12 termine are reasonably necessary to perform their authorized functions.

13 (7) The director, the board chairperson and the State Accident Insurance Fund Corporation shall  
14 have the right, not subject to review, to contract for the exchange of, or payment for, such services  
15 between them as will reduce the overall cost of administering this chapter.

16 (8) The director shall have lien and enforcement powers regarding assessments to be paid by  
17 subject employers in the same manner and to the same extent as is provided for lien and enforce-  
18 ment of collection of premiums and assessments by the corporation under ORS 656.552 to 656.566.

19 (9) The director shall have the same powers regarding inspection of books, records and payrolls  
20 of employers as are granted the corporation under ORS 656.758. The director may disclose infor-  
21 mation obtained from such inspections to the Director of the Department of Revenue to the extent  
22 the Director of the Department of Revenue requires such information to determine that a person  
23 complies with the revenue and tax laws of this state and to the Director of the Employment De-  
24 partment to the extent the Director of the Employment Department requires such information to  
25 determine that a person complies with ORS chapter 657.

26 (10) The director shall collect hours-worked data information in addition to total payroll for  
27 workers engaged in various jobs in the construction industry classifications described in the job  
28 classification portion of the Workers' Compensation and Employers Liability Manual and the Oregon  
29 Special Rules Section published by the National Council on Compensation Insurance. The informa-  
30 tion shall be collected in the form and format necessary for the National Council on Compensation  
31 Insurance to analyze premium equity.

32 **SECTION 5.** ORS 656.726, as amended by section 4, chapter 657, Oregon Laws 2003, section 18,  
33 chapter 811, Oregon Laws 2003, section 17, chapter 26, Oregon Laws 2005, and section 2a, chapter  
34 653, Oregon Laws 2005, is amended to read:

35 656.726. (1) The Workers' Compensation Board in its name and the Director of the Department  
36 of Consumer and Business Services in the director's name as director may sue and be sued, and each  
37 shall have a seal.

38 (2) The board hereby is charged with reviewing appealed orders of Administrative Law Judges  
39 in controversies concerning a claim arising under this chapter, exercising own motion jurisdiction  
40 under this chapter and providing such policy advice as the director may request, and providing such  
41 other review functions as may be prescribed by law. To that end any of its members or assistants  
42 authorized thereto by the members shall have power to:

43 (a) Hold sessions at any place within the state.

44 (b) Administer oaths.

45 (c) Issue and serve by the board's representatives, or by any sheriff, subpoenas for the attend-

1   ance of witnesses and the production of papers, contracts, books, accounts, documents and testimony  
2   before any hearing under ORS 654.001 to 654.295, 654.750 to 654.780 and this chapter.

3       (d) Generally provide for the taking of testimony and for the recording of proceedings.

4       (3) The board chairperson is hereby charged with the administration of and responsibility for the  
5   Hearings Division.

6       (4) The director hereby is charged with duties of administration, regulation and enforcement of  
7   ORS 654.001 to 654.295, 654.750 to 654.780 and this chapter. To that end the director may:

8       (a) Make and declare all rules and issue orders which are reasonably required in the perform-  
9   ance of the director's duties. Unless otherwise specified by law, all reports, claims or other docu-  
10   ments shall be deemed timely provided to the director or board if mailed by regular mail or  
11   delivered within the time required by law. Notwithstanding any other provision of this chapter, the  
12   director may adopt rules to [*allow for*] **require** the electronic transmission and filing of reports,  
13   claims or other documents required to be filed under this chapter. Notwithstanding ORS 183.310 to  
14   183.410, if a matter comes before the director that is not addressed by rule and the director finds  
15   that adoption of a rule to accommodate the matter would be inefficient, unreasonable or unneces-  
16   sarily burdensome to the public, the director may resolve the matter by issuing an order, subject to  
17   review under ORS 656.704. Such order shall not have precedential effect as to any other situation.

18       (b) Hold sessions at any place within the state.

19       (c) Administer oaths.

20       (d) Issue and serve by representatives of the director, or by any sheriff, subpoenas for the at-  
21   tendance of witnesses and the production of papers, contracts, books, accounts, documents and tes-  
22   timony in any inquiry, investigation, proceeding or rulemaking hearing conducted by the director  
23   or the director's representatives. The director may require the attendance and testimony of em-  
24   ployers, their officers and representatives in any inquiry under this chapter, and the production by  
25   employers of books, records, papers and documents without the payment or tender of witness fees  
26   on account of such attendance.

27       (e) Generally provide for the taking of testimony and for the recording of such proceedings.

28       (f) Provide standards for the evaluation of disabilities. The following provisions apply to the  
29   standards:

30       (A) The criteria for evaluation of disabilities under ORS 656.214 (5) shall be permanent impair-  
31   ment due to the industrial injury as modified by the factors of age, education and adaptability to  
32   perform a given job.

33       (B) Impairment is established by a preponderance of medical evidence based upon objective  
34   findings.

35       (C) When, upon reconsideration of a notice of closure pursuant to ORS 656.268, it is found that  
36   the worker's disability is not addressed by the standards adopted pursuant to this paragraph,  
37   notwithstanding ORS 656.268, the director shall stay further proceedings on the reconsideration of  
38   the claim and shall adopt temporary rules amending the standards to accommodate the worker's  
39   impairment.

40       (D) Notwithstanding any other provision of this section, impairment is the only factor to be  
41   considered in evaluation of the worker's disability under ORS 656.214 (5) if:

42       (i) The worker returns to regular work at the job held at the time of injury;

43       (ii) The attending physician releases the worker to regular work at the job held at the time of  
44   injury and the job is available but the worker fails or refuses to return to that job; or

45       (iii) The attending physician releases the worker to regular work at the job held at the time of

1 injury but the worker's employment is terminated for cause unrelated to the injury.

2 (g) Prescribe procedural rules for and conduct hearings, investigations and other proceedings  
3 pursuant to ORS 654.001 to 654.295, 654.750 to 654.780 and this chapter regarding all matters other  
4 than those specifically allocated to the board or the Hearings Division.

5 (h) Participate fully in any proceeding before the Hearings Division, board or Court of Appeals  
6 in which the director determines that the proceeding involves a matter that affects or could affect  
7 the discharge of the director's duties of administration, regulation and enforcement of ORS 654.001  
8 to 654.295 and 654.750 to 654.780 and this chapter.

9 (5) The board may make and declare all rules which are reasonably required in the performance  
10 of its duties, including but not limited to rules of practice and procedure in connection with hearing  
11 and review proceedings and exercising its authority under ORS 656.278. The board shall adopt  
12 standards governing the format and timing of the evidence. The standards shall be uniformly fol-  
13 lowed by all Administrative Law Judges and practitioners. The rules may provide for informal pre-  
14 hearing conferences in order to expedite claim adjudication, amicably dispose of controversies, if  
15 possible, narrow issues and simplify the method of proof at hearings. The rules shall specify who  
16 may appear with parties at prehearing conferences and hearings.

17 (6) The director and the board chairperson may incur such expenses as they respectively de-  
18 termine are reasonably necessary to perform their authorized functions.

19 (7) The director, the board chairperson and the State Accident Insurance Fund Corporation shall  
20 have the right, not subject to review, to contract for the exchange of, or payment for, such services  
21 between them as will reduce the overall cost of administering this chapter.

22 (8) The director shall have lien and enforcement powers regarding assessments to be paid by  
23 subject employers in the same manner and to the same extent as is provided for lien and enforce-  
24 ment of collection of premiums and assessments by the corporation under ORS 656.552 to 656.566.

25 (9) The director shall have the same powers regarding inspection of books, records and payrolls  
26 of employers as are granted the corporation under ORS 656.758. The director may disclose infor-  
27 mation obtained from such inspections to the Director of the Department of Revenue to the extent  
28 the Director of the Department of Revenue requires such information to determine that a person  
29 complies with the revenue and tax laws of this state and to the Director of the Employment De-  
30 partment to the extent the Director of the Employment Department requires such information to  
31 determine that a person complies with ORS chapter 657.

32 (10) The director shall collect hours-worked data information in addition to total payroll for  
33 workers engaged in various jobs in the construction industry classifications described in the job  
34 classification portion of the Workers' Compensation and Employers Liability Manual and the Oregon  
35 Special Rules Section published by the National Council on Compensation Insurance. The informa-  
36 tion shall be collected in the form and format necessary for the National Council on Compensation  
37 Insurance to analyze premium equity.

38 **SECTION 6.** ORS 656.005 is amended to read:

39 656.005. (1) "Average weekly wage" means the Oregon average weekly wage in covered em-  
40 ployment, as determined by the Employment Department, for the last quarter of the calendar year  
41 preceding the fiscal year in which the injury occurred.

42 (2) "Beneficiary" means an injured worker, and the husband, wife, child or dependent of a  
43 worker, who is entitled to receive payments under this chapter. "Beneficiary" does not include:

44 (a) A spouse of an injured worker living in a state of abandonment for more than one year at  
45 the time of the injury or subsequently. A spouse who has lived separate and apart from the worker

1 for a period of two years and who has not during that time received or attempted by process of law  
2 to collect funds for support or maintenance is considered living in a state of abandonment.

3 (b) A person who intentionally causes the compensable injury to or death of an injured worker.

4 (3) "Board" means the Workers' Compensation Board.

5 (4) "Carrier-insured employer" means an employer who provides workers' compensation cover-  
6 age with [*a guaranty contract insurer*] **the State Accident Insurance Fund Corporation or an**  
7 **insurer authorized under ORS chapter 731 to transact workers' compensation insurance in**  
8 **this state.**

9 (5) "Child" includes a posthumous child, a child legally adopted prior to the injury, a child to-  
10 ward whom the worker stands in loco parentis, an illegitimate child and a stepchild, if such  
11 stepchild was, at the time of the injury, a member of the worker's family and substantially dependent  
12 upon the worker for support. An invalid dependent child is a child, for purposes of benefits, re-  
13 gardless of age, so long as the child was an invalid at the time of the accident and thereafter re-  
14 mains an invalid substantially dependent on the worker for support. For purposes of this chapter,  
15 an invalid dependent child is considered to be a child under 18 years of age.

16 (6) "Claim" means a written request for compensation from a subject worker or someone on the  
17 worker's behalf, or any compensable injury of which a subject employer has notice or knowledge.

18 (7)(a) A "compensable injury" is an accidental injury, or accidental injury to prosthetic appli-  
19 ances, arising out of and in the course of employment requiring medical services or resulting in  
20 disability or death; an injury is accidental if the result is an accident, whether or not due to acci-  
21 dental means, if it is established by medical evidence supported by objective findings, subject to the  
22 following limitations:

23 (A) No injury or disease is compensable as a consequence of a compensable injury unless the  
24 compensable injury is the major contributing cause of the consequential condition.

25 (B) If an otherwise compensable injury combines at any time with a preexisting condition to  
26 cause or prolong disability or a need for treatment, the combined condition is compensable only if,  
27 so long as and to the extent that the otherwise compensable injury is the major contributing cause  
28 of the disability of the combined condition or the major contributing cause of the need for treatment  
29 of the combined condition.

30 (b) "Compensable injury" does not include:

31 (A) Injury to any active participant in assaults or combats which are not connected to the job  
32 assignment and which amount to a deviation from customary duties;

33 (B) Injury incurred while engaging in or performing, or as the result of engaging in or per-  
34 forming, any recreational or social activities primarily for the worker's personal pleasure; or

35 (C) Injury the major contributing cause of which is demonstrated to be by a preponderance of  
36 the evidence the injured worker's consumption of alcoholic beverages or the unlawful consumption  
37 of any controlled substance, unless the employer permitted, encouraged or had actual knowledge of  
38 such consumption.

39 (c) A "disabling compensable injury" is an injury which entitles the worker to compensation for  
40 disability or death. An injury is not disabling if no temporary benefits are due and payable, unless  
41 there is a reasonable expectation that permanent disability will result from the injury.

42 (d) A "nondisabling compensable injury" is any injury which requires medical services only.

43 (8) "Compensation" includes all benefits, including medical services, provided for a compensable  
44 injury to a subject worker or the worker's beneficiaries by an insurer or self-insured employer pur-  
45 suant to this chapter.

1 (9) "Department" means the Department of Consumer and Business Services.

2 (10) "Dependent" means any of the following-named relatives of a worker whose death results  
3 from any injury: Father, mother, grandfather, grandmother, stepfather, stepmother, grandson,  
4 granddaughter, brother, sister, half sister, half brother, niece or nephew, who at the time of the  
5 accident, are dependent in whole or in part for their support upon the earnings of the worker.  
6 Unless otherwise provided by treaty, aliens not residing within the United States at the time of the  
7 accident other than father, mother, husband, wife or children are not included within the term "de-  
8 pendent."

9 (11) "Director" means the Director of the Department of Consumer and Business Services.

10 (12)(a) "Doctor" or "physician" means a person duly licensed to practice one or more of the  
11 healing arts in any country or in any state, territory or possession of the United States within the  
12 limits of the license of the licentiate.

13 (b) Except as otherwise provided for workers subject to a managed care contract, "attending  
14 physician" means a doctor or physician who is primarily responsible for the treatment of a worker's  
15 compensable injury and who is:

16 (A) A medical doctor or doctor of osteopathy licensed under ORS 677.100 to 677.228 by the  
17 Board of Medical Examiners for the State of Oregon or an oral and maxillofacial surgeon licensed  
18 by the Oregon Board of Dentistry or a similarly licensed doctor in any country or in any state,  
19 territory or possession of the United States; or

20 (B) For a period of 30 days from the date of first visit on the initial claim or for 12 visits,  
21 whichever first occurs, a doctor or physician licensed by the State Board of Chiropractic Examiners  
22 for the State of Oregon or a similarly licensed doctor or physician in any country or in any state,  
23 territory or possession of the United States.

24 (c) "Consulting physician" means a doctor or physician who examines a worker or the worker's  
25 medical record to advise the attending physician or nurse practitioner authorized to provide  
26 compensable medical services under ORS 656.245 regarding treatment of a worker's compensable  
27 injury.

28 (13)(a) "Employer" means any person, including receiver, administrator, executor or trustee, and  
29 the state, state agencies, counties, municipal corporations, school districts and other public corpo-  
30 rations or political subdivisions, who contracts to pay a remuneration for and secures the right to  
31 direct and control the services of any person.

32 (b) Notwithstanding paragraph (a) of this subsection, for purposes of this chapter, the client of  
33 a temporary service provider is not the employer of temporary workers provided by the temporary  
34 service provider.

35 (c) As used in paragraph (b) of this subsection, "temporary service provider" has the meaning  
36 for that term provided in ORS 656.850.

37 (14) [*Guaranty contract insurer*] and "Insurer" [*mean*] **means** the State Accident Insurance  
38 Fund Corporation or an insurer authorized under ORS chapter 731 to transact workers' compen-  
39 sation insurance in this state or an assigned claims agent selected by the director under ORS  
40 656.054.

41 (15) "Consumer and Business Services Fund" means the fund created by ORS 705.145.

42 (16) "Invalid" means one who is physically or mentally incapacitated from earning a livelihood.

43 (17) "Medically stationary" means that no further material improvement would reasonably be  
44 expected from medical treatment, or the passage of time.

45 (18) "Noncomplying employer" means a subject employer who has failed to comply with ORS

1 656.017.

2 (19) "Objective findings" in support of medical evidence are verifiable indications of injury or  
3 disease that may include, but are not limited to, range of motion, atrophy, muscle strength and  
4 palpable muscle spasm. "Objective findings" does not include physical findings or subjective re-  
5 sponses to physical examinations that are not reproducible, measurable or observable.

6 (20) "Palliative care" means medical service rendered to reduce or moderate temporarily the  
7 intensity of an otherwise stable medical condition, but does not include those medical services ren-  
8 dered to diagnose, heal or permanently alleviate or eliminate a medical condition.

9 (21) "Party" means a claimant for compensation, the employer of the injured worker at the time  
10 of injury and the insurer, if any, of such employer.

11 (22) "Payroll" means a record of wages payable to workers for their services and includes  
12 commissions, value of exchange labor and the reasonable value of board, rent, housing, lodging or  
13 similar advantage received from the employer. However, "payroll" does not include overtime pay,  
14 vacation pay, bonus pay, tips, amounts payable under profit-sharing agreements or bonus payments  
15 to reward workers for safe working practices. Bonus pay is limited to payments which are not an-  
16 ticipated under the contract of employment and which are paid at the sole discretion of the em-  
17 ployer. The exclusion from payroll of bonus payments to reward workers for safe working practices  
18 is only for the purpose of calculations based on payroll to determine premium for workers' com-  
19 pensation insurance, and does not affect any other calculation or determination based on payroll for  
20 the purposes of this chapter.

21 (23) "Person" includes partnership, joint venture, association, limited liability company and  
22 corporation.

23 (24)(a) "Preexisting condition" means, for all industrial injury claims, any injury, disease, con-  
24 genital abnormality, personality disorder or similar condition that contributes to disability or need  
25 for treatment, provided that:

26 (A) Except for claims in which a preexisting condition is arthritis or an arthritic condition, the  
27 worker has been diagnosed with such condition, or has obtained medical services for the symptoms  
28 of the condition regardless of diagnosis; and

29 (B)(i) In claims for an initial injury or omitted condition, the diagnosis or treatment precedes  
30 the initial injury;

31 (ii) In claims for a new medical condition, the diagnosis or treatment precedes the onset of the  
32 new medical condition; or

33 (iii) In claims for a worsening pursuant to ORS 656.273 or 656.278, the diagnosis or treatment  
34 precedes the onset of the worsened condition.

35 (b) "Preexisting condition" means, for all occupational disease claims, any injury, disease, con-  
36 genital abnormality, personality disorder or similar condition that contributes to disability or need  
37 for treatment and that precedes the onset of the claimed occupational disease, or precedes a claim  
38 for worsening in such claims pursuant to ORS 656.273 or 656.278.

39 (c) For the purposes of industrial injury claims, a condition does not contribute to disability or  
40 need for treatment if the condition merely renders the worker more susceptible to the injury.

41 (25) "Self-insured employer" means an employer or group of employers certified under ORS  
42 656.430 as meeting the qualifications set out by ORS 656.407.

43 (26) "State Accident Insurance Fund Corporation" and "corporation" mean the State Accident  
44 Insurance Fund Corporation created under ORS 656.752.

45 (27) "Subject employer" means an employer who is subject to this chapter as provided by ORS

1 656.023.

2 (28) "Subject worker" means a worker who is subject to this chapter as provided by ORS  
3 656.027.

4 (29) "Wages" means the money rate at which the service rendered is recompensed under the  
5 contract of hiring in force at the time of the accident, including reasonable value of board, rent,  
6 housing, lodging or similar advantage received from the employer, and includes the amount of tips  
7 required to be reported by the employer pursuant to section 6053 of the Internal Revenue Code of  
8 1954, as amended, and the regulations promulgated pursuant thereto, or the amount of actual tips  
9 reported, whichever amount is greater. The State Accident Insurance Fund Corporation may estab-  
10 lish assumed minimum and maximum wages, in conformity with recognized insurance principles, at  
11 which any worker shall be carried upon the payroll of the employer for the purpose of determining  
12 the premium of the employer.

13 (30) "Worker" means any person, including a minor whether lawfully or unlawfully employed,  
14 who engages to furnish services for a remuneration, subject to the direction and control of an em-  
15 ployer and includes salaried, elected and appointed officials of the state, state agencies, counties,  
16 cities, school districts and other public corporations, but does not include any person whose services  
17 are performed as an inmate or ward of a state institution or as part of the eligibility requirements  
18 for a general or public assistance grant. For the purpose of determining entitlement to temporary  
19 disability benefits or permanent total disability benefits under this chapter, "worker" does not in-  
20 clude a person who has withdrawn from the workforce during the period for which such benefits are  
21 sought.

22 (31) "Independent contractor" has the meaning for that term provided in ORS 670.600.

23 **SECTION 7.** ORS 656.005, as amended by section 2, chapter 811, Oregon Laws 2003, is amended  
24 to read:

25 656.005. (1) "Average weekly wage" means the Oregon average weekly wage in covered em-  
26 ployment, as determined by the Employment Department, for the last quarter of the calendar year  
27 preceding the fiscal year in which the injury occurred.

28 (2) "Beneficiary" means an injured worker, and the husband, wife, child or dependent of a  
29 worker, who is entitled to receive payments under this chapter. "Beneficiary" does not include:

30 (a) A spouse of an injured worker living in a state of abandonment for more than one year at  
31 the time of the injury or subsequently. A spouse who has lived separate and apart from the worker  
32 for a period of two years and who has not during that time received or attempted by process of law  
33 to collect funds for support or maintenance is considered living in a state of abandonment.

34 (b) A person who intentionally causes the compensable injury to or death of an injured worker.

35 (3) "Board" means the Workers' Compensation Board.

36 (4) "Carrier-insured employer" means an employer who provides workers' compensation cover-  
37 age with [*a guaranty contract insurer*] **the State Accident Insurance Fund Corporation or an**  
38 **insurer authorized under ORS chapter 731 to transact workers' compensation insurance in**  
39 **this state.**

40 (5) "Child" includes a posthumous child, a child legally adopted prior to the injury, a child to-  
41 ward whom the worker stands in loco parentis, an illegitimate child and a stepchild, if such  
42 stepchild was, at the time of the injury, a member of the worker's family and substantially dependent  
43 upon the worker for support. An invalid dependent child is a child, for purposes of benefits, re-  
44 gardless of age, so long as the child was an invalid at the time of the accident and thereafter re-  
45 mains an invalid substantially dependent on the worker for support. For purposes of this chapter,

1 an invalid dependent child is considered to be a child under 18 years of age.

2 (6) "Claim" means a written request for compensation from a subject worker or someone on the  
3 worker's behalf, or any compensable injury of which a subject employer has notice or knowledge.

4 (7)(a) A "compensable injury" is an accidental injury, or accidental injury to prosthetic appli-  
5 ances, arising out of and in the course of employment requiring medical services or resulting in  
6 disability or death; an injury is accidental if the result is an accident, whether or not due to acci-  
7 dental means, if it is established by medical evidence supported by objective findings, subject to the  
8 following limitations:

9 (A) No injury or disease is compensable as a consequence of a compensable injury unless the  
10 compensable injury is the major contributing cause of the consequential condition.

11 (B) If an otherwise compensable injury combines at any time with a preexisting condition to  
12 cause or prolong disability or a need for treatment, the combined condition is compensable only if,  
13 so long as and to the extent that the otherwise compensable injury is the major contributing cause  
14 of the disability of the combined condition or the major contributing cause of the need for treatment  
15 of the combined condition.

16 (b) "Compensable injury" does not include:

17 (A) Injury to any active participant in assaults or combats which are not connected to the job  
18 assignment and which amount to a deviation from customary duties;

19 (B) Injury incurred while engaging in or performing, or as the result of engaging in or per-  
20 forming, any recreational or social activities primarily for the worker's personal pleasure; or

21 (C) Injury the major contributing cause of which is demonstrated to be by a preponderance of  
22 the evidence the injured worker's consumption of alcoholic beverages or the unlawful consumption  
23 of any controlled substance, unless the employer permitted, encouraged or had actual knowledge of  
24 such consumption.

25 (c) A "disabling compensable injury" is an injury which entitles the worker to compensation for  
26 disability or death. An injury is not disabling if no temporary benefits are due and payable, unless  
27 there is a reasonable expectation that permanent disability will result from the injury.

28 (d) A "nondisabling compensable injury" is any injury which requires medical services only.

29 (8) "Compensation" includes all benefits, including medical services, provided for a compensable  
30 injury to a subject worker or the worker's beneficiaries by an insurer or self-insured employer pur-  
31 suant to this chapter.

32 (9) "Department" means the Department of Consumer and Business Services.

33 (10) "Dependent" means any of the following-named relatives of a worker whose death results  
34 from any injury: Father, mother, grandfather, grandmother, stepfather, stepmother, grandson,  
35 granddaughter, brother, sister, half sister, half brother, niece or nephew, who at the time of the  
36 accident, are dependent in whole or in part for their support upon the earnings of the worker.  
37 Unless otherwise provided by treaty, aliens not residing within the United States at the time of the  
38 accident other than father, mother, husband, wife or children are not included within the term "de-  
39 pendent."

40 (11) "Director" means the Director of the Department of Consumer and Business Services.

41 (12)(a) "Doctor" or "physician" means a person duly licensed to practice one or more of the  
42 healing arts in any country or in any state, territory or possession of the United States within the  
43 limits of the license of the licentiate.

44 (b) Except as otherwise provided for workers subject to a managed care contract, "attending  
45 physician" means a doctor or physician who is primarily responsible for the treatment of a worker's

1 compensable injury and who is:

2 (A) A medical doctor or doctor of osteopathy licensed under ORS 677.100 to 677.228 by the  
3 Board of Medical Examiners for the State of Oregon or an oral and maxillofacial surgeon licensed  
4 by the Oregon Board of Dentistry or a similarly licensed doctor in any country or in any state,  
5 territory or possession of the United States; or

6 (B) For a period of 30 days from the date of first visit on the initial claim or for 12 visits,  
7 whichever first occurs, a doctor or physician licensed by the State Board of Chiropractic Examiners  
8 for the State of Oregon or a similarly licensed doctor or physician in any country or in any state,  
9 territory or possession of the United States.

10 (c) "Consulting physician" means a doctor or physician who examines a worker or the worker's  
11 medical record to advise the attending physician regarding treatment of a worker's compensable  
12 injury.

13 (13)(a) "Employer" means any person, including receiver, administrator, executor or trustee, and  
14 the state, state agencies, counties, municipal corporations, school districts and other public corpo-  
15 rations or political subdivisions, who contracts to pay a remuneration for and secures the right to  
16 direct and control the services of any person.

17 (b) Notwithstanding paragraph (a) of this subsection, for purposes of this chapter, the client of  
18 a temporary service provider is not the employer of temporary workers provided by the temporary  
19 service provider.

20 (c) As used in paragraph (b) of this subsection, "temporary service provider" has the meaning  
21 for that term provided in ORS 656.850.

22 (14) [*Guaranty contract insurer*] and "Insurer" [*mean*] **means** the State Accident Insurance  
23 Fund Corporation or an insurer authorized under ORS chapter 731 to transact workers' compen-  
24 sation insurance in this state or an assigned claims agent selected by the director under ORS  
25 656.054.

26 (15) "Consumer and Business Services Fund" means the fund created by ORS 705.145.

27 (16) "Invalid" means one who is physically or mentally incapacitated from earning a livelihood.

28 (17) "Medically stationary" means that no further material improvement would reasonably be  
29 expected from medical treatment, or the passage of time.

30 (18) "Noncomplying employer" means a subject employer who has failed to comply with ORS  
31 656.017.

32 (19) "Objective findings" in support of medical evidence are verifiable indications of injury or  
33 disease that may include, but are not limited to, range of motion, atrophy, muscle strength and  
34 palpable muscle spasm. "Objective findings" does not include physical findings or subjective re-  
35 sponses to physical examinations that are not reproducible, measurable or observable.

36 (20) "Palliative care" means medical service rendered to reduce or moderate temporarily the  
37 intensity of an otherwise stable medical condition, but does not include those medical services ren-  
38 dered to diagnose, heal or permanently alleviate or eliminate a medical condition.

39 (21) "Party" means a claimant for compensation, the employer of the injured worker at the time  
40 of injury and the insurer, if any, of such employer.

41 (22) "Payroll" means a record of wages payable to workers for their services and includes  
42 commissions, value of exchange labor and the reasonable value of board, rent, housing, lodging or  
43 similar advantage received from the employer. However, "payroll" does not include overtime pay,  
44 vacation pay, bonus pay, tips, amounts payable under profit-sharing agreements or bonus payments  
45 to reward workers for safe working practices. Bonus pay is limited to payments which are not an-

1 anticipated under the contract of employment and which are paid at the sole discretion of the em-  
2 ployer. The exclusion from payroll of bonus payments to reward workers for safe working practices  
3 is only for the purpose of calculations based on payroll to determine premium for workers' com-  
4 pensation insurance, and does not affect any other calculation or determination based on payroll for  
5 the purposes of this chapter.

6 (23) "Person" includes partnership, joint venture, association, limited liability company and  
7 corporation.

8 (24)(a) "Preexisting condition" means, for all industrial injury claims, any injury, disease, con-  
9 genital abnormality, personality disorder or similar condition that contributes to disability or need  
10 for treatment, provided that:

11 (A) Except for claims in which a preexisting condition is arthritis or an arthritic condition, the  
12 worker has been diagnosed with such condition, or has obtained medical services for the symptoms  
13 of the condition regardless of diagnosis; and

14 (B)(i) In claims for an initial injury or omitted condition, the diagnosis or treatment precedes  
15 the initial injury;

16 (ii) In claims for a new medical condition, the diagnosis or treatment precedes the onset of the  
17 new medical condition; or

18 (iii) In claims for a worsening pursuant to ORS 656.273 or 656.278, the diagnosis or treatment  
19 precedes the onset of the worsened condition.

20 (b) "Preexisting condition" means, for all occupational disease claims, any injury, disease, con-  
21 genital abnormality, personality disorder or similar condition that contributes to disability or need  
22 for treatment and that precedes the onset of the claimed occupational disease, or precedes a claim  
23 for worsening in such claims pursuant to ORS 656.273 or 656.278.

24 (c) For the purposes of industrial injury claims, a condition does not contribute to disability or  
25 need for treatment if the condition merely renders the worker more susceptible to the injury.

26 (25) "Self-insured employer" means an employer or group of employers certified under ORS  
27 656.430 as meeting the qualifications set out by ORS 656.407.

28 (26) "State Accident Insurance Fund Corporation" and "corporation" mean the State Accident  
29 Insurance Fund Corporation created under ORS 656.752.

30 (27) "Subject employer" means an employer who is subject to this chapter as provided by ORS  
31 656.023.

32 (28) "Subject worker" means a worker who is subject to this chapter as provided by ORS  
33 656.027.

34 (29) "Wages" means the money rate at which the service rendered is recompensed under the  
35 contract of hiring in force at the time of the accident, including reasonable value of board, rent,  
36 housing, lodging or similar advantage received from the employer, and includes the amount of tips  
37 required to be reported by the employer pursuant to section 6053 of the Internal Revenue Code of  
38 1954, as amended, and the regulations promulgated pursuant thereto, or the amount of actual tips  
39 reported, whichever amount is greater. The State Accident Insurance Fund Corporation may estab-  
40 lish assumed minimum and maximum wages, in conformity with recognized insurance principles, at  
41 which any worker shall be carried upon the payroll of the employer for the purpose of determining  
42 the premium of the employer.

43 (30) "Worker" means any person, including a minor whether lawfully or unlawfully employed,  
44 who engages to furnish services for a remuneration, subject to the direction and control of an em-  
45 ployer and includes salaried, elected and appointed officials of the state, state agencies, counties,

1 cities, school districts and other public corporations, but does not include any person whose services  
 2 are performed as an inmate or ward of a state institution or as part of the eligibility requirements  
 3 for a general or public assistance grant. For the purpose of determining entitlement to temporary  
 4 disability benefits or permanent total disability benefits under this chapter, “worker” does not in-  
 5 clude a person who has withdrawn from the workforce during the period for which such benefits are  
 6 sought.

7 (31) “Independent contractor” has the meaning for that term provided in ORS 670.600.

8 **SECTION 8.** ORS 656.039 is amended to read:

9 656.039. (1) An employer of one or more persons defined as nonsubject workers or not defined  
 10 as subject workers may elect to make them subject workers. If the employer is or becomes a  
 11 carrier-insured employer, the election shall be made by filing written notice thereof with the insurer  
 12 with a copy to the Director of the Department of Consumer and Business Services. The effective  
 13 date of coverage is governed by ORS 656.419 (3). If the employer is or becomes a self-insured em-  
 14 ployer, the election shall be made by filing written notice thereof with the director, the effective  
 15 date of coverage to be the date specified in the notice.

16 (2) Any election under subsection (1) of this section may be canceled by written notice thereof  
 17 to the insurer or, in the case of a self-insured employer, by notice thereof to the director. The can-  
 18 cellation is effective at 12 midnight ending the day the notice is received by the insurer or the di-  
 19 rector, unless a later date is specified in the notice. The insurer shall, within 10 days after receipt  
 20 of a notice of cancellation under this section, send a copy of the notice to the director.

21 (3) When necessary the insurer or the director shall fix assumed minimum or maximum wages  
 22 for persons made subject workers under this section.

23 (4) Notwithstanding any other provision of this section, a person or employer not subject to this  
 24 chapter who elects to become covered may apply to *[a guaranty contract]* **an** insurer for coverage.  
 25 An insurer other than the State Accident Insurance Fund Corporation may provide such coverage.  
 26 However, the State Accident Insurance Fund Corporation shall accept any written notice filed and  
 27 provide coverage as provided in this section if all subject workers of the employers will be insured  
 28 with the State Accident Insurance Fund Corporation and the coverage of those subject workers is  
 29 not considered by the State Accident Insurance Fund Corporation to be a risk properly assignable  
 30 to the assigned risk pool.

31 **SECTION 9.** ORS 656.128 is amended to read:

32 656.128. (1) Any person who is a sole proprietor, or a member, including a member who is a  
 33 manager, of a limited liability company, or a member of a partnership, or an independent contractor  
 34 pursuant to ORS 670.600, may make written application to an insurer to become entitled as a subject  
 35 worker to compensation benefits. Thereupon, the insurer may accept such application and fix a  
 36 classification and an assumed monthly wage at which such person shall be carried on the payroll  
 37 as a worker for purposes of computations under this chapter.

38 (2) When the application is accepted, such person thereupon is subject to the provisions and  
 39 entitled to the benefits of this chapter. The person shall promptly notify the insurer whenever the  
 40 status of the person as an employer of subject workers changes. Any subject worker employed by  
 41 such a person after the effective date of the election of the person shall, upon being employed, be  
 42 considered covered automatically by the same *[guaranty contract]* **workers’ compensation insur-**  
 43 **ance policy** that covers such person.

44 (3) No claim shall be allowed or paid under this section, except upon corroborative evidence in  
 45 addition to the evidence of the claimant.

1 (4) Any person subject to this chapter as a worker as provided in this section may cancel such  
 2 election by giving written notice to the insurer. The cancellation shall become effective at 12 mid-  
 3 night ending the day of filing the notice with the insurer.

4 **SECTION 10.** ORS 656.210 is amended to read:

5 656.210. (1) When the total disability is only temporary, the worker shall receive during the pe-  
 6 riod of that total disability compensation equal to 66-2/3 percent of wages, but not more than 133  
 7 percent of the average weekly wage nor less than the amount of 90 percent of wages a week or the  
 8 amount of \$50 a week, whichever amount is less. Notwithstanding the limitation imposed by this  
 9 subsection, an injured worker who is not otherwise eligible to receive an increase in benefits for the  
 10 fiscal year in which compensation is paid shall have the benefits increased each fiscal year by the  
 11 percentage which the applicable average weekly wage has increased since the previous fiscal year.

12 (2)(a) For the purpose of this section, the weekly wage of workers shall be ascertained:

13 (A) For workers employed in one job at the time of injury, by multiplying the daily wage the  
 14 worker was receiving by the number of days per week that the worker was regularly employed; or

15 (B) For workers employed in more than one job at the time of injury, by adding all earnings the  
 16 worker was receiving from all subject employment.

17 (b) Notwithstanding paragraph (a)(B) of this subsection, the weekly wage calculated under par-  
 18 agraph (a)(A) of this subsection shall be used for workers employed in more than one job at the time  
 19 of injury unless, within 30 days of receipt of the initial claim, the insurer, self-insured employer or  
 20 assigned claims agent for a noncomplying employer receives notice that the worker was employed  
 21 in more than one job with a subject employer at the time of injury and receives verifiable doc-  
 22 umentation of wages from such additional employment.

23 (c) Notwithstanding ORS 656.005 (7)(c), an injury to a worker employed in more than one job  
 24 at the time of injury is not disabling if no temporary disability benefits are payable for time lost  
 25 from the job at injury. Claim costs incurred as a result of supplemental temporary disability benefits  
 26 paid as provided in subsection (5) of this section may not be included in any data used for  
 27 ratemaking or individual employer rating or dividend calculations by [a guaranty contract] **an**  
 28 insurer, a rating organization licensed pursuant to ORS chapter 737, the State Accident Insurance  
 29 Fund Corporation or the Department of Consumer and Business Services if the injured worker is  
 30 not eligible for permanent disability benefits or temporary disability benefits for time lost from the  
 31 job at injury.

32 (d) For the purpose of this section:

33 (A) The benefits of a worker who incurs an injury shall be based on the wage of the worker at  
 34 the time of injury.

35 (B) The benefits of a worker who incurs an occupational disease shall be based on the wage of  
 36 the worker at the time there is medical verification that the worker is unable to work because of  
 37 the disability caused by the occupational disease. If the worker is not working at the time that there  
 38 is medical verification that the worker is unable to work because of the disability caused by the  
 39 occupational disease, the benefits shall be based on the wage of the worker at the worker's last  
 40 regular employment.

41 (e) As used in this subsection, "regularly employed" means actual employment or availability for  
 42 such employment. For workers not regularly employed and for workers with no remuneration or  
 43 whose remuneration is not based solely upon daily or weekly wages, the Director of the Department  
 44 of Consumer and Business Services, by rule, may prescribe methods for establishing the worker's  
 45 weekly wage.

1 (3) No disability payment is recoverable for temporary total or partial disability suffered during  
 2 the first three calendar days after the worker leaves work or loses wages as a result of the  
 3 compensable injury unless the worker is totally disabled after the injury and the total disability  
 4 continues for a period of 14 consecutive days or unless the worker is admitted as an inpatient to a  
 5 hospital within 14 days of the first onset of total disability. If the worker leaves work or loses wages  
 6 on the day of the injury due to the injury, that day shall be considered the first day of the three-day  
 7 period.

8 (4) When an injured worker with an accepted disabling compensable injury is required to leave  
 9 work for a period of four hours or more to receive medical consultation, examination or treatment  
 10 with regard to the compensable injury, the worker shall receive temporary disability benefits cal-  
 11 culated pursuant to ORS 656.212 for the period during which the worker is absent, until such time  
 12 as the worker is determined to be medically stationary. However, benefits under this subsection are  
 13 not payable if wages are paid for the period of absence by the employer.

14 (5)(a) The insurer of the employer at injury or the self-insured employer at injury, may elect to  
 15 be responsible for payment of supplemental temporary disability benefits to a worker employed in  
 16 more than one job at the time of injury. In accordance with rules adopted by the director, if the  
 17 worker's weekly wage is determined under subsection (2)(a)(B) of this section, the insurer or self-  
 18 insured employer shall be reimbursed from the Workers' Benefit Fund for the amount of temporary  
 19 disability benefits paid that exceeds the amount payable pursuant to subsection (2)(a)(A) of this  
 20 section had the worker been employed in only one job at the time of injury. Such reimbursement  
 21 shall include an administrative fee payable to the insurer or self-insured employer pursuant to rules  
 22 adopted by the director.

23 (b) If the insurer or self-insured employer elects not to pay the supplemental temporary disabil-  
 24 ity benefits for a worker employed in more than one job at the time of injury, the director shall ei-  
 25 ther administer and pay the supplemental benefits directly or shall assign responsibility to  
 26 administer and process the payment to a paying agent selected by the director.

27 **SECTION 11.** ORS 656.268 is amended to read:

28 656.268. (1) One purpose of this chapter is to restore the injured worker as soon as possible and  
 29 as near as possible to a condition of self support and maintenance as an able-bodied worker. The  
 30 insurer or self-insured employer shall close the worker's claim, as prescribed by the Director of the  
 31 Department of Consumer and Business Services, and determine the extent of the worker's permanent  
 32 disability, provided the worker is not enrolled and actively engaged in training according to rules  
 33 adopted by the director pursuant to ORS 656.340 and 656.726, when:

34 (a) The worker has become medically stationary and there is sufficient information to determine  
 35 permanent disability;

36 (b) The accepted injury is no longer the major contributing cause of the worker's combined or  
 37 consequential condition or conditions pursuant to ORS 656.005 (7). When the claim is closed because  
 38 the accepted injury is no longer the major contributing cause of the worker's combined or conse-  
 39 quential condition or conditions, and there is sufficient information to determine permanent disabil-  
 40 ity, the likely permanent disability that would have been due to the current accepted condition shall  
 41 be estimated;

42 (c) Without the approval of the attending physician or nurse practitioner authorized to provide  
 43 compensable medical services under ORS 656.245, the worker fails to seek medical treatment for a  
 44 period of 30 days or the worker fails to attend a closing examination, unless the worker  
 45 affirmatively establishes that such failure is attributable to reasons beyond the worker's control; or

1 (d) An insurer or self-insured employer finds that a worker who has been receiving permanent  
2 total disability benefits has materially improved and is capable of regularly performing work at a  
3 gainful and suitable occupation.

4 (2) If the worker is enrolled and actively engaged in training according to rules adopted pursu-  
5 ant to ORS 656.340 and 656.726, the temporary disability compensation shall be proportionately re-  
6 duced by any sums earned during the training.

7 (3) A copy of all medical reports and reports of vocational rehabilitation agencies or counselors  
8 shall be furnished to the worker, if requested by the worker.

9 (4) Temporary total disability benefits shall continue until whichever of the following events  
10 first occurs:

11 (a) The worker returns to regular or modified employment;

12 (b) The attending physician or nurse practitioner who has authorized temporary disability ben-  
13 efits for the worker under ORS 656.245 advises the worker and documents in writing that the worker  
14 is released to return to regular employment;

15 (c) The attending physician or nurse practitioner who has authorized temporary disability ben-  
16 efits for the worker under ORS 656.245 advises the worker and documents in writing that the worker  
17 is released to return to modified employment, such employment is offered in writing to the worker  
18 and the worker fails to begin such employment. However, an offer of modified employment may be  
19 refused by the worker without the termination of temporary total disability benefits if the offer:

20 (A) Requires a commute that is beyond the physical capacity of the worker according to the  
21 worker's attending physician or the nurse practitioner who may authorize temporary disability un-  
22 der ORS 656.245;

23 (B) Is at a work site more than 50 miles one way from where the worker was injured unless the  
24 site is less than 50 miles from the worker's residence or the intent of the parties at the time of hire  
25 or as established by the pattern of employment prior to the injury was that the employer had mul-  
26 tiple or mobile work sites and the worker could be assigned to any such site;

27 (C) Is not with the employer at injury;

28 (D) Is not at a work site of the employer at injury;

29 (E) Is not consistent with the existing written shift change policy or is not consistent with  
30 common practice of the employer at injury or aggravation; or

31 (F) Is not consistent with an existing shift change provision of an applicable collective bar-  
32 gaining agreement; or

33 (d) Any other event that causes temporary disability benefits to be lawfully suspended, withheld  
34 or terminated under ORS 656.262 (4) or other provisions of this chapter.

35 (5)(a) Findings by the insurer or self-insured employer regarding the extent of the worker's dis-  
36 ability in closure of the claim shall be pursuant to the standards prescribed by the director. The  
37 insurer or self-insured employer shall issue a notice of closure of such a claim to the worker, to the  
38 worker's attorney if the worker is represented, and to the director. The notice must inform:

39 (A) The parties, in boldfaced type, of the proper manner in which to proceed if they are dissat-  
40 isfied with the terms of the notice;

41 (B) The worker of the amount of any further compensation, including permanent disability  
42 compensation to be awarded; of the duration of temporary total or temporary partial disability  
43 compensation; of the right of the worker to request reconsideration by the director under this sec-  
44 tion within 60 days of the date of the notice of claim closure; of the right of the insurer or self-  
45 insured employer to request reconsideration by the director under this section within seven days

1 of the date of the notice of claim closure; of the aggravation rights; and of such other information  
2 as the director may require; and

3 (C) Any beneficiaries of death benefits to which they may be entitled pursuant to ORS 656.204  
4 and 656.208.

5 (b) If the insurer or self-insured employer has not issued a notice of closure, the worker may  
6 request closure. Within 10 days of receipt of a written request from the worker, the insurer or  
7 self-insured employer shall issue a notice of closure if the requirements of this section have been  
8 met or a notice of refusal to close if the requirements of this section have not been met. A notice  
9 of refusal to close shall advise the worker of the decision not to close; of the right of the worker  
10 to request a hearing pursuant to ORS 656.283 within 60 days of the date of the notice of refusal to  
11 close the claim; of the right to be represented by an attorney; and of such other information as the  
12 director may require.

13 (c) If a worker, insurer or self-insured employer objects to the notice of closure, the objecting  
14 party first must request reconsideration by the director under this section. A worker's request for  
15 reconsideration must be made within 60 days of the date of the notice of closure. A request for re-  
16 consideration by an insurer or self-insured employer may be based only on disagreement with the  
17 findings used to rate impairment and must be made within seven days of the date of the notice of  
18 closure.

19 (d) If an insurer or self-insured employer has closed a claim or refused to close a claim pursuant  
20 to this section, if the correctness of that notice of closure or refusal to close is at issue in a hearing  
21 on the claim and if a finding is made at the hearing that the notice of closure or refusal to close  
22 was not reasonable, a penalty shall be assessed against the insurer or self-insured employer and paid  
23 to the worker in an amount equal to 25 percent of all compensation determined to be then due the  
24 claimant.

25 (e) If, upon reconsideration of a claim closed by an insurer or self-insured employer, the director  
26 orders an increase by 25 percent or more of the amount of compensation to be paid to the worker  
27 for permanent disability and the worker is found upon reconsideration to be at least 20 percent  
28 permanently disabled, a penalty shall be assessed against the insurer or self-insured employer and  
29 paid to the worker in an amount equal to 25 percent of all compensation determined to be then due  
30 the claimant. If the increase in compensation results from information that the insurer or self-  
31 insured employer demonstrates the insurer or self-insured employer could not reasonably have  
32 known at the time of claim closure, from new information obtained through a medical arbiter ex-  
33 amination or from the adoption of a temporary emergency rule, the penalty shall not be assessed.

34 (6)(a) Notwithstanding any other provision of law, only one reconsideration proceeding may be  
35 held on each notice of closure. At the reconsideration proceeding:

36 (A) A deposition arranged by the worker, limited to the testimony and cross-examination of the  
37 worker about the worker's condition at the time of claim closure, shall become part of the recon-  
38 sideration record. The deposition must be conducted subject to the opportunity for cross-examination  
39 by the insurer or self-insured employer and in accordance with rules adopted by the director. The  
40 cost of the court reporter and one original of the transcript of the deposition for the Department  
41 of Consumer and Business Services and one copy of the transcript of the deposition for each party  
42 shall be paid by the insurer or self-insured employer. The reconsideration proceeding may not be  
43 postponed to receive a deposition taken under this subparagraph. A deposition taken in accordance  
44 with this subparagraph may be received as evidence at a hearing even if the deposition is not pre-  
45 pared in time for use in the reconsideration proceeding.

1 (B) Pursuant to rules adopted by the director, the worker or the insurer or self-insured employer  
2 may correct information in the record that is erroneous and may submit any medical evidence that  
3 should have been but was not submitted by the attending physician or nurse practitioner authorized  
4 to provide compensable medical services under ORS 656.245 at the time of claim closure.

5 (C) If the director determines that a claim was not closed in accordance with subsection (1) of  
6 this section, the director may rescind the closure.

7 (b) If necessary, the director may require additional medical or other information with respect  
8 to the claims and may postpone the reconsideration for not more than 60 additional calendar days.

9 (c) In any reconsideration proceeding under this section in which the worker was represented  
10 by an attorney, the director shall order the insurer or self-insured employer to pay to the attorney,  
11 out of the additional compensation awarded, an amount equal to 10 percent of any additional com-  
12 pensation awarded to the worker.

13 (d) The reconsideration proceeding shall be completed within 18 working days from the date the  
14 reconsideration proceeding begins, and shall be performed by a special evaluation appellate unit  
15 within the department. The deadline of 18 working days may be postponed by an additional 60 cal-  
16 endar days if within the 18 working days the department mails notice of review by a medical arbiter.  
17 If an order on reconsideration has not been mailed on or before 18 working days from the date the  
18 reconsideration proceeding begins, or within 18 working days plus the additional 60 calendar days  
19 where a notice for medical arbiter review was timely mailed or the director postponed the recon-  
20 sideration pursuant to paragraph (b) of this subsection, or within such additional time as provided  
21 in subsection (7) of this section when reconsideration is postponed further because the worker has  
22 failed to cooperate in the medical arbiter examination, reconsideration shall be deemed denied and  
23 any further proceedings shall occur as though an order on reconsideration affirming the notice of  
24 closure was mailed on the date the order was due to issue.

25 (e) The period for completing the reconsideration proceeding described in paragraph (d) of this  
26 subsection begins upon receipt by the director of a worker's request for reconsideration pursuant  
27 to subsection (5)(c) of this section. If the insurer or self-insured employer requests reconsideration,  
28 the period for reconsideration begins upon the earlier of the date of the request for reconsideration  
29 by the worker, the date of receipt of a waiver from the worker of the right to request reconsider-  
30 ation or the date of expiration of the right of the worker to request reconsideration. If a party elects  
31 not to file a separate request for reconsideration, the party does not waive the right to fully par-  
32 ticipate in the reconsideration proceeding, including the right to proceed with the reconsideration  
33 if the initiating party withdraws the request for reconsideration.

34 (f) Any medical arbiter report may be received as evidence at a hearing even if the report is  
35 not prepared in time for use in the reconsideration proceeding.

36 (g) If any party objects to the reconsideration order, the party may request a hearing under ORS  
37 656.283 within 30 days from the date of the reconsideration order.

38 (7)(a) If the basis for objection to a notice of closure issued under this section is disagreement  
39 with the impairment used in rating of the worker's disability, the director shall refer the claim to  
40 a medical arbiter appointed by the director.

41 (b) If neither party requests a medical arbiter and the director determines that insufficient  
42 medical information is available to determine disability, the director may refer the claim to a med-  
43 ical arbiter appointed by the director.

44 (c) At the request of either of the parties, a panel of three medical arbiters shall be appointed.

45 (d) The arbiter, or panel of medical arbiters, shall be chosen from among a list of physicians

1 qualified to be attending physicians referred to in ORS 656.005 (12)(b)(A) who were selected by the  
2 director in consultation with the Board of Medical Examiners for the State of Oregon and the  
3 committee referred to in ORS 656.790.

4 (e)(A) The medical arbiter or panel of medical arbiters may examine the worker and perform  
5 such tests as may be reasonable and necessary to establish the worker's impairment.

6 (B) If the director determines that the worker failed to attend the examination without good  
7 cause or failed to cooperate with the medical arbiter, or panel of medical arbiters, the director shall  
8 postpone the reconsideration proceedings for up to 60 days from the date of the determination that  
9 the worker failed to attend or cooperate, and shall suspend all disability benefits resulting from this  
10 or any prior opening of the claim until such time as the worker attends and cooperates with the  
11 examination or the request for reconsideration is withdrawn. Any additional evidence regarding  
12 good cause must be submitted prior to the conclusion of the 60-day postponement period.

13 (C) At the conclusion of the 60-day postponement period, if the worker has not attended and  
14 cooperated with a medical arbiter examination or established good cause, there shall be no further  
15 opportunity for the worker to attend a medical arbiter examination for this claim closure. The re-  
16 consideration record shall be closed, and the director shall issue an order on reconsideration based  
17 upon the existing record.

18 (D) All disability benefits suspended pursuant to this subsection, including all disability benefits  
19 awarded in the order on reconsideration, or by an Administrative Law Judge, the Workers' Com-  
20 pensation Board or upon court review, shall not be due and payable to the worker.

21 (f) The costs of examination and review by the medical arbiter or panel of medical arbiters shall  
22 be paid by the insurer or self-insured employer.

23 (g) The findings of the medical arbiter or panel of medical arbiters shall be submitted to the  
24 director for reconsideration of the notice of closure.

25 (h) After reconsideration, no subsequent medical evidence of the worker's impairment is admis-  
26 sible before the director, the Workers' Compensation Board or the courts for purposes of making  
27 findings of impairment on the claim closure.

28 (i)(A) When the basis for objection to a notice of closure issued under this section is a disa-  
29 greement with the impairment used in rating the worker's disability, and the director determines  
30 that the worker is not medically stationary at the time of the reconsideration or that the closure  
31 was not made pursuant to this section, the director is not required to appoint a medical arbiter prior  
32 to the completion of the reconsideration proceeding.

33 (B) If the worker's condition has substantially changed since the notice of closure, upon the  
34 consent of all the parties to the claim, the director shall postpone the proceeding until the worker's  
35 condition is appropriate for claim closure under subsection (1) of this section.

36 (8) No hearing shall be held on any issue that was not raised and preserved before the director  
37 at reconsideration. However, issues arising out of the reconsideration order may be addressed and  
38 resolved at hearing.

39 (9) If, after the notice of closure issued pursuant to this section, the worker becomes enrolled  
40 and actively engaged in training according to rules adopted pursuant to ORS 656.340 and 656.726,  
41 any permanent disability payments due for work disability under the closure shall be suspended, and  
42 the worker shall receive temporary disability compensation and any permanent disability payments  
43 due for impairment while the worker is enrolled and actively engaged in the training. When the  
44 worker ceases to be enrolled and actively engaged in the training, the insurer or self-insured em-  
45 ployer shall again close the claim pursuant to this section if the worker is medically stationary or

1 if the worker's accepted injury is no longer the major contributing cause of the worker's combined  
 2 or consequential condition or conditions pursuant to ORS 656.005 (7). The closure shall include the  
 3 duration of temporary total or temporary partial disability compensation. Permanent disability  
 4 compensation shall be redetermined for work disability only. If the worker has returned to work or  
 5 the worker's attending physician has released the worker to return to regular or modified employ-  
 6 ment, the insurer or self-insured employer shall again close the claim. This notice of closure may  
 7 be appealed only in the same manner as are other notices of closure under this section.

8 (10) If the attending physician or nurse practitioner authorized to provide compensable medical  
 9 services under ORS 656.245 has approved the worker's return to work and there is a labor dispute  
 10 in progress at the place of employment, the worker may refuse to return to that employment without  
 11 loss of reemployment rights or any vocational assistance provided by this chapter.

12 (11) Any notice of closure made under this section may include necessary adjustments in com-  
 13 pensation paid or payable prior to the notice of closure, including disallowance of permanent disa-  
 14 bility payments prematurely made, crediting temporary disability payments against current or future  
 15 permanent or temporary disability awards or payments and requiring the payment of temporary  
 16 disability payments which were payable but not paid.

17 (12) An insurer or self-insured employer may take a credit or offset of previously paid workers'  
 18 compensation benefits or payments against any further workers' compensation benefits or payments  
 19 due a worker from that insurer or self-insured employer when the worker admits to having obtained  
 20 the previously paid benefits or payments through fraud, or a civil judgment or criminal conviction  
 21 is entered against the worker for having obtained the previously paid benefits through fraud. Bene-  
 22 fits or payments obtained through fraud by a worker shall not be included in any data used for  
 23 ratemaking or individual employer rating or dividend calculations by [a guaranty contract] an  
 24 insurer, a rating organization licensed pursuant to ORS chapter 737, the State Accident Insurance  
 25 Fund Corporation or the director.

26 (13)(a) An insurer or self-insured employer may offset any compensation payable to the worker  
 27 to recover an overpayment from a claim with the same insurer or self-insured employer. When  
 28 overpayments are recovered from temporary disability or permanent total disability benefits, the  
 29 amount recovered from each payment shall not exceed 25 percent of the payment, without prior  
 30 authorization from the worker.

31 (b) An insurer or self-insured employer may suspend and offset any compensation payable to the  
 32 beneficiary of the worker, and recover an overpayment of permanent total disability benefits caused  
 33 by the failure of the worker's beneficiaries to notify the insurer or self-insured employer about the  
 34 death of the worker.

35 (14) Conditions that are direct medical sequelae to the original accepted condition shall be in-  
 36 cluded in rating permanent disability of the claim unless they have been specifically denied.

37 **SECTION 12.** ORS 656.268, as amended by section 8, chapter 657, Oregon Laws 2003, section  
 38 12, chapter 811, Oregon Laws 2003, section 2, chapter 221, Oregon Laws 2005, section 4, chapter 461,  
 39 Oregon Laws 2005, and section 2, chapter 569, Oregon Laws 2005, is amended to read:

40 656.268. (1) One purpose of this chapter is to restore the injured worker as soon as possible and  
 41 as near as possible to a condition of self support and maintenance as an able-bodied worker. The  
 42 insurer or self-insured employer shall close the worker's claim, as prescribed by the Director of the  
 43 Department of Consumer and Business Services, and determine the extent of the worker's permanent  
 44 disability, provided the worker is not enrolled and actively engaged in training according to rules  
 45 adopted by the director pursuant to ORS 656.340 and 656.726, when:

1 (a) The worker has become medically stationary and there is sufficient information to determine  
2 permanent impairment;

3 (b) The accepted injury is no longer the major contributing cause of the worker's combined or  
4 consequential condition or conditions pursuant to ORS 656.005 (7). When the claim is closed because  
5 the accepted injury is no longer the major contributing cause of the worker's combined or conse-  
6 quential condition or conditions, and there is sufficient information to determine permanent impair-  
7 ment, the likely impairment and adaptability that would have been due to the current accepted  
8 condition shall be estimated;

9 (c) Without the approval of the attending physician, the worker fails to seek medical treatment  
10 for a period of 30 days or the worker fails to attend a closing examination, unless the worker  
11 affirmatively establishes that such failure is attributable to reasons beyond the worker's control; or

12 (d) An insurer or self-insured employer finds that a worker who has been receiving permanent  
13 total disability benefits has materially improved and is capable of regularly performing work at a  
14 gainful and suitable occupation.

15 (2) If the worker is enrolled and actively engaged in training according to rules adopted pursu-  
16 ant to ORS 656.340 and 656.726, the temporary disability compensation shall be proportionately re-  
17 duced by any sums earned during the training.

18 (3) A copy of all medical reports and reports of vocational rehabilitation agencies or counselors  
19 shall be furnished to the worker, if requested by the worker.

20 (4) Temporary total disability benefits shall continue until whichever of the following events  
21 first occurs:

22 (a) The worker returns to regular or modified employment;

23 (b) The attending physician advises the worker and documents in writing that the worker is  
24 released to return to regular employment;

25 (c) The attending physician advises the worker and documents in writing that the worker is  
26 released to return to modified employment, such employment is offered in writing to the worker and  
27 the worker fails to begin such employment. However, an offer of modified employment may be re-  
28 fused by the worker without the termination of temporary total disability benefits if the offer:

29 (A) Requires a commute that is beyond the physical capacity of the worker according to the  
30 worker's attending physician;

31 (B) Is at a work site more than 50 miles one way from where the worker was injured unless the  
32 site is less than 50 miles from the worker's residence or the intent of the parties at the time of hire  
33 or as established by the pattern of employment prior to the injury was that the employer had mul-  
34 tiple or mobile work sites and the worker could be assigned to any such site;

35 (C) Is not with the employer at injury;

36 (D) Is not at a work site of the employer at injury;

37 (E) Is not consistent with the existing written shift change policy or is not consistent with  
38 common practice of the employer at injury or aggravation; or

39 (F) Is not consistent with an existing shift change provision of an applicable collective bar-  
40 gaining agreement; or

41 (d) Any other event that causes temporary disability benefits to be lawfully suspended, withheld  
42 or terminated under ORS 656.262 (4) or other provisions of this chapter.

43 (5)(a) Findings by the insurer or self-insured employer regarding the extent of the worker's dis-  
44 ability in closure of the claim shall be pursuant to the standards prescribed by the director. The  
45 insurer or self-insured employer shall issue a notice of closure of such a claim to the worker, to the

1 worker's attorney if the worker is represented, and to the director. The notice must inform:

2 (A) The parties, in boldfaced type, of the proper manner in which to proceed if they are dissat-  
3 isfied with the terms of the notice;

4 (B) The worker of the amount of any further compensation, including permanent disability  
5 compensation to be awarded; of the duration of temporary total or temporary partial disability  
6 compensation; of the right of the worker to request reconsideration by the director under this sec-  
7 tion within 60 days of the date of the notice of claim closure; of the right of the insurer or self-  
8 insured employer to request reconsideration by the director under this section within seven days  
9 of the date of the notice of claim closure; of the aggravation rights; and of such other information  
10 as the director may require; and

11 (C) Any beneficiaries of death benefits to which they may be entitled pursuant to ORS 656.204  
12 and 656.208.

13 (b) If the insurer or self-insured employer has not issued a notice of closure, the worker may  
14 request closure. Within 10 days of receipt of a written request from the worker, the insurer or  
15 self-insured employer shall issue a notice of closure if the requirements of this section have been  
16 met or a notice of refusal to close if the requirements of this section have not been met. A notice  
17 of refusal to close shall advise the worker of the decision not to close; of the right of the worker  
18 to request a hearing pursuant to ORS 656.283 within 60 days of the date of the notice of refusal to  
19 close the claim; of the right to be represented by an attorney; and of such other information as the  
20 director may require.

21 (c) If a worker, insurer or self-insured employer objects to the notice of closure, the objecting  
22 party first must request reconsideration by the director under this section. A worker's request for  
23 reconsideration must be made within 60 days of the date of the notice of closure. A request for re-  
24 consideration by an insurer or self-insured employer may be based only on disagreement with the  
25 findings used to rate impairment and must be made within seven days of the date of the notice of  
26 closure.

27 (d) If an insurer or self-insured employer has closed a claim or refused to close a claim pursuant  
28 to this section, if the correctness of that notice of closure or refusal to close is at issue in a hearing  
29 on the claim and if a finding is made at the hearing that the notice of closure or refusal to close  
30 was not reasonable, a penalty shall be assessed against the insurer or self-insured employer and paid  
31 to the worker in an amount equal to 25 percent of all compensation determined to be then due the  
32 claimant.

33 (e) If, upon reconsideration of a claim closed by an insurer or self-insured employer, the director  
34 orders an increase by 25 percent or more of the amount of compensation to be paid to the worker  
35 for either a scheduled or unscheduled permanent disability and the worker is found upon reconsid-  
36 eration to be at least 20 percent permanently disabled, a penalty shall be assessed against the  
37 insurer or self-insured employer and paid to the worker in an amount equal to 25 percent of all  
38 compensation determined to be then due the claimant. If the increase in compensation results from  
39 information that the insurer or self-insured employer demonstrates the insurer or self-insured em-  
40 ployer could not reasonably have known at the time of claim closure, from new information obtained  
41 through a medical arbiter examination or from the adoption of a temporary emergency rule, the  
42 penalty shall not be assessed.

43 (6)(a) Notwithstanding any other provision of law, only one reconsideration proceeding may be  
44 held on each notice of closure. At the reconsideration proceeding:

45 (A) A deposition arranged by the worker, limited to the testimony and cross-examination of the

1 worker about the worker's condition at the time of claim closure, shall become part of the recon-  
2 sideration record. The deposition must be conducted subject to the opportunity for cross-examination  
3 by the insurer or self-insured employer and in accordance with rules adopted by the director. The  
4 cost of the court reporter and one original of the transcript of the deposition for the Department  
5 of Consumer and Business Services and one copy of the transcript of the deposition for each party  
6 shall be paid by the insurer or self-insured employer. The reconsideration proceeding may not be  
7 postponed to receive a deposition taken under this subparagraph. A deposition taken in accordance  
8 with this subparagraph may be received as evidence at a hearing even if the deposition is not pre-  
9 pared in time for use in the reconsideration proceeding.

10 (B) Pursuant to rules adopted by the director, the worker or the insurer or self-insured employer  
11 may correct information in the record that is erroneous and may submit any medical evidence that  
12 should have been but was not submitted by the attending physician at the time of claim closure.

13 (C) If the director determines that a claim was not closed in accordance with subsection (1) of  
14 this section, the director may rescind the closure.

15 (b) If necessary, the director may require additional medical or other information with respect  
16 to the claims and may postpone the reconsideration for not more than 60 additional calendar days.

17 (c) In any reconsideration proceeding under this section in which the worker was represented  
18 by an attorney, the director shall order the insurer or self-insured employer to pay to the attorney,  
19 out of the additional compensation awarded, an amount equal to 10 percent of any additional com-  
20 pensation awarded to the worker.

21 (d) The reconsideration proceeding shall be completed within 18 working days from the date the  
22 reconsideration proceeding begins, and shall be performed by a special evaluation appellate unit  
23 within the department. The deadline of 18 working days may be postponed by an additional 60 cal-  
24 endar days if within the 18 working days the department mails notice of review by a medical arbiter.  
25 If an order on reconsideration has not been mailed on or before 18 working days from the date the  
26 reconsideration proceeding begins, or within 18 working days plus the additional 60 calendar days  
27 where a notice for medical arbiter review was timely mailed or the director postponed the recon-  
28 sideration pursuant to paragraph (b) of this subsection, or within such additional time as provided  
29 in subsection (7) of this section when reconsideration is postponed further because the worker has  
30 failed to cooperate in the medical arbiter examination, reconsideration shall be deemed denied and  
31 any further proceedings shall occur as though an order on reconsideration affirming the notice of  
32 closure was mailed on the date the order was due to issue.

33 (e) The period for completing the reconsideration proceeding described in paragraph (d) of this  
34 subsection begins upon receipt by the director of a worker's request for reconsideration pursuant  
35 to subsection (5)(c) of this section. If the insurer or self-insured employer requests reconsideration,  
36 the period for reconsideration begins upon the earlier of the date of the request for reconsideration  
37 by the worker, the date of receipt of a waiver from the worker of the right to request reconsider-  
38 ation or the date of expiration of the right of the worker to request reconsideration. If a party elects  
39 not to file a separate request for reconsideration, the party does not waive the right to fully par-  
40 ticipate in the reconsideration proceeding, including the right to proceed with the reconsideration  
41 if the initiating party withdraws the request for reconsideration.

42 (f) Any medical arbiter report may be received as evidence at a hearing even if the report is  
43 not prepared in time for use in the reconsideration proceeding.

44 (g) If any party objects to the reconsideration order, the party may request a hearing under ORS  
45 656.283 within 30 days from the date of the reconsideration order.

1 (7)(a) If the basis for objection to a notice of closure issued under this section is disagreement  
2 with the impairment used in rating of the worker's disability, the director shall refer the claim to  
3 a medical arbiter appointed by the director.

4 (b) If neither party requests a medical arbiter and the director determines that insufficient  
5 medical information is available to determine disability, the director may refer the claim to a med-  
6 ical arbiter appointed by the director.

7 (c) At the request of either of the parties, a panel of three medical arbiters shall be appointed.

8 (d) The arbiter, or panel of medical arbiters, shall be chosen from among a list of physicians  
9 qualified to be attending physicians referred to in ORS 656.005 (12)(b)(A) who were selected by the  
10 director in consultation with the Board of Medical Examiners for the State of Oregon and the  
11 committee referred to in ORS 656.790.

12 (e)(A) The medical arbiter or panel of medical arbiters may examine the worker and perform  
13 such tests as may be reasonable and necessary to establish the worker's impairment.

14 (B) If the director determines that the worker failed to attend the examination without good  
15 cause or failed to cooperate with the medical arbiter, or panel of medical arbiters, the director shall  
16 postpone the reconsideration proceedings for up to 60 days from the date of the determination that  
17 the worker failed to attend or cooperate, and shall suspend all disability benefits resulting from this  
18 or any prior opening of the claim until such time as the worker attends and cooperates with the  
19 examination or the request for reconsideration is withdrawn. Any additional evidence regarding  
20 good cause must be submitted prior to the conclusion of the 60-day postponement period.

21 (C) At the conclusion of the 60-day postponement period, if the worker has not attended and  
22 cooperated with a medical arbiter examination or established good cause, there shall be no further  
23 opportunity for the worker to attend a medical arbiter examination for this claim closure. The re-  
24 consideration record shall be closed, and the director shall issue an order on reconsideration based  
25 upon the existing record.

26 (D) All disability benefits suspended pursuant to this subsection, including all disability benefits  
27 awarded in the order on reconsideration, or by an Administrative Law Judge, the Workers' Com-  
28 pensation Board or upon court review, shall not be due and payable to the worker.

29 (f) The costs of examination and review by the medical arbiter or panel of medical arbiters shall  
30 be paid by the insurer or self-insured employer.

31 (g) The findings of the medical arbiter or panel of medical arbiters shall be submitted to the  
32 director for reconsideration of the notice of closure.

33 (h) After reconsideration, no subsequent medical evidence of the worker's impairment is admis-  
34 sible before the director, the Workers' Compensation Board or the courts for purposes of making  
35 findings of impairment on the claim closure.

36 (i)(A) When the basis for objection to a notice of closure issued under this section is a disa-  
37 greement with the impairment used in rating the worker's disability, and the director determines  
38 that the worker is not medically stationary at the time of the reconsideration or that the closure  
39 was not made pursuant to this section, the director is not required to appoint a medical arbiter prior  
40 to the completion of the reconsideration proceeding.

41 (B) If the worker's condition has substantially changed since the notice of closure, upon the  
42 consent of all the parties to the claim, the director shall postpone the proceeding until the worker's  
43 condition is appropriate for claim closure under subsection (1) of this section.

44 (8) No hearing shall be held on any issue that was not raised and preserved before the director  
45 at reconsideration. However, issues arising out of the reconsideration order may be addressed and

1 resolved at hearing.

2 (9) If, after the notice of closure issued pursuant to this section, the worker becomes enrolled  
3 and actively engaged in training according to rules adopted pursuant to ORS 656.340 and 656.726,  
4 any permanent disability payments due under the closure shall be suspended, and the worker shall  
5 receive temporary disability compensation while the worker is enrolled and actively engaged in the  
6 training. When the worker ceases to be enrolled and actively engaged in the training, the insurer  
7 or self-insured employer shall again close the claim pursuant to this section if the worker is med-  
8 ically stationary or if the worker's accepted injury is no longer the major contributing cause of the  
9 worker's combined or consequential condition or conditions pursuant to ORS 656.005 (7). The closure  
10 shall include the duration of temporary total or temporary partial disability compensation. Perma-  
11 nent disability compensation shall be redetermined for unscheduled disability only. If the worker has  
12 returned to work or the worker's attending physician has released the worker to return to regular  
13 or modified employment, the insurer or self-insured employer shall again close the claim. This notice  
14 of closure may be appealed only in the same manner as are other notices of closure under this  
15 section.

16 (10) If the attending physician has approved the worker's return to work and there is a labor  
17 dispute in progress at the place of employment, the worker may refuse to return to that employment  
18 without loss of reemployment rights or any vocational assistance provided by this chapter.

19 (11) Any notice of closure made under this section may include necessary adjustments in com-  
20 pensation paid or payable prior to the notice of closure, including disallowance of permanent disa-  
21 bility payments prematurely made, crediting temporary disability payments against current or future  
22 permanent or temporary disability awards or payments and requiring the payment of temporary  
23 disability payments which were payable but not paid.

24 (12) An insurer or self-insured employer may take a credit or offset of previously paid workers'  
25 compensation benefits or payments against any further workers' compensation benefits or payments  
26 due a worker from that insurer or self-insured employer when the worker admits to having obtained  
27 the previously paid benefits or payments through fraud, or a civil judgment or criminal conviction  
28 is entered against the worker for having obtained the previously paid benefits through fraud. Bene-  
29 fits or payments obtained through fraud by a worker shall not be included in any data used for  
30 ratemaking or individual employer rating or dividend calculations by [a guaranty contract] **an**  
31 insurer, a rating organization licensed pursuant to ORS chapter 737, the State Accident Insurance  
32 Fund Corporation or the director.

33 (13)(a) An insurer or self-insured employer may offset any compensation payable to the worker  
34 to recover an overpayment from a claim with the same insurer or self-insured employer. When  
35 overpayments are recovered from temporary disability or permanent total disability benefits, the  
36 amount recovered from each payment shall not exceed 25 percent of the payment, without prior  
37 authorization from the worker.

38 (b) An insurer or self-insured employer may suspend and offset any compensation payable to the  
39 beneficiary of the worker, and recover an overpayment of permanent total disability benefits caused  
40 by the failure of the worker's beneficiaries to notify the insurer or self-insured employer about the  
41 death of the worker.

42 (14) Conditions that are direct medical sequelae to the original accepted condition shall be in-  
43 cluded in rating permanent disability of the claim unless they have been specifically denied.

44 **SECTION 13.** ORS 656.407 is amended to read:

45 656.407. (1) An employer shall establish proof with the Director of the Department of Consumer

1 and Business Services that the employer is qualified either:

2 (a) As a carrier-insured employer by causing [*a guaranty contract issued by a guaranty*  
3 *contract*] **proof of coverage provided by an** insurer to be filed with the director; or

4 (b) As a self-insured employer by establishing proof that the employer has an adequate staff  
5 qualified to process claims promptly and has the financial ability to make certain the prompt pay-  
6 ment of all compensation and other payments that may become due to the director under this  
7 chapter.

8 (2) Except as provided in subsection (3) of this section, a self-insured employer shall establish  
9 proof of financial ability by providing security that the director determines acceptable by rule. The  
10 security must be in an amount reasonably sufficient to insure payment of compensation and other  
11 payments that may become due to the director but not less than the employer's normal expected  
12 annual claim liabilities and in no event less than \$100,000. In arriving at the amount of security  
13 required under this subsection, the director may take into consideration the financial ability of the  
14 employer to pay compensation and other payments and probable continuity of operation. The secu-  
15 rity shall be held by the director to secure the payment of compensation for injuries to subject  
16 workers of the employer and to secure other payments that may become due from the employer to  
17 the director under this chapter. Moneys received as security under this subsection shall be deposited  
18 with the State Treasurer in an account separate and distinct from the General Fund. Interest earned  
19 by the account shall be credited to the account. The amount of security may be increased or de-  
20 creased from time to time by the director.

21 (3)(a) A city or county that wishes to be exempt from subsection (2) of this section may make  
22 written application therefor to the director. The application shall include a copy of the city's or  
23 county's most recent annual audit as filed with the Secretary of State under ORS 297.405 to 297.740,  
24 information regarding the establishment of a loss reserve account for the payment of compensation  
25 to injured workers and such other information as the director may require. The director shall ap-  
26 prove the application and the city or county shall be exempt from subsection (2) of this section if  
27 the director finds that:

28 (A) The city or county has been a self-insured employer in compliance with subsection (2) of this  
29 section for more than three consecutive years prior to making the application referred to in this  
30 subsection as an independently self-insured employer and not as part of a self-insured group.

31 (B) The city or county has in effect a loss reserve account:

32 (i) That is actuarially sound and that is adequately funded as determined by an annual audit  
33 under ORS 297.405 to 297.740 to pay all compensation to injured workers and amounts due the di-  
34 rector pursuant to this chapter. A copy of the annual audit shall be filed with the director. Upon  
35 a finding that there is probable cause to believe that the loss reserve account is not actuarially  
36 sound, the director may require a city or county to obtain an independent actuarial audit of the loss  
37 reserve account. The requirements of this subsection are in addition to and not in lieu of any other  
38 audit or reporting requirement otherwise prescribed by or pursuant to law.

39 (ii) That is dedicated to and may be expended only for the payment of compensation and  
40 amounts due the director by the city or county under this chapter.

41 (b) The director shall have the first lien and priority right to the full amount of the loss reserve  
42 account required to pay the present discounted value of all present and future claims under this  
43 chapter.

44 (c) The city or county shall notify the director no later than 60 days prior to any action to  
45 discontinue the loss reserve account. The city or county shall advise the director of the city's or

1 county's plans to submit the security deposits required in subsection (2) of this section, or obtain  
 2 coverage as a carrier-insured employer prior to the date the loss reserve account ceases to exist.  
 3 If the city or county elects to discontinue self-insurance, it shall submit such security as the director  
 4 may require to insure payment of all compensation and amounts due the director for the period the  
 5 city or county was self-insured.

6 (d) In order to requalify as a self-insured employer, the city or county must deposit prior to  
 7 discontinuance of the loss reserve account such security as is required by the director pursuant to  
 8 subsection (2) of this section.

9 (e) Notwithstanding ORS 656.440, if prior to the date of discontinuance of the loss reserve ac-  
 10 count the director has not received the security deposits required in subsection (2) of this section,  
 11 the city's or county's certificate of self-insurance is automatically revoked as of that date.

12 **SECTION 14.** ORS 656.443 is amended to read:

13 656.443. (1) If an employer defaults in payment of compensation or other payments due to the  
 14 Director of the Department of Consumer and Business Services under this chapter, the director may,  
 15 on notice to the employer and any insurer providing [*a guaranty contract or surety bond*] **workers'**  
 16 **compensation insurance coverage** to such employer, use money or interest and dividends on se-  
 17 curities, sell securities or institute legal proceedings on any [*surety bond or guaranty contract de-*  
 18 *posited or*] **insurance policy for which a notice of coverage has been** filed with the director to  
 19 the extent necessary to make such payments.

20 (2) Prior to any default by the employer, the employer is entitled to all interest and dividends  
 21 on securities on deposit and to exercise all voting rights, stock options and other similar incidents  
 22 of ownership of the securities.

23 (3) If for any reason the certification of a self-insured employer is canceled or terminated, or the  
 24 coverage of a carrier-insured employer is canceled or terminated, the security deposited or the  
 25 [*guaranty contract*] **notice of coverage has been** filed with the director shall remain on deposit or  
 26 in effect, as the case may be, for a period of at least 62 months after the employer ceases to be a  
 27 self-insured or a carrier-insured employer. The security or [*contract*] **coverage** shall be maintained  
 28 in such amount as is necessary to secure the outstanding and contingent liability arising from the  
 29 accidental injuries secured by such security or [*contract*] **coverage**, and to assure the payment of  
 30 claims for aggravation and claims under ORS 656.278 based on such accidental injuries. At the ex-  
 31 piration of the [*62 months'*] **62-month** period, or such other period as the director may consider  
 32 proper, the director may accept in lieu of any such security or [*contract*] **coverage** a policy of  
 33 paid-up insurance in a form approved by the director.

34 **SECTION 15.** ORS 656.447 is amended to read:

35 656.447. (1) The Director of the Department of Consumer and Business Services may suspend or  
 36 revoke the authorization of [*a guaranty contract*] **an** insurer to issue [*guaranty contracts*] **workers'**  
 37 **compensation insurance policies** if the director, after notice to the company and giving the com-  
 38 pany an opportunity to be heard and present evidence, finds that:

39 (a) The company has failed to comply with its obligations under any such [*contract*] **policy**; or

40 (b) The company has failed to comply with the orders of the director or the provisions of this  
 41 chapter or any rule promulgated pursuant thereto.

42 (2) A suspension or revocation shall not affect the liability of any such company on any [*guar-*  
 43 *anty contract*] **workers' compensation insurance policy** in force prior to the suspension or revo-  
 44 cation.

45 **SECTION 16.** ORS 656.622 is amended to read:

1       656.622. (1) There is established a Reemployment Assistance Program for the benefit of employ-  
2       ers and workers and for the purpose of:

3       (a) Giving employers and workers the benefits provided in this section.

4       (b) Providing reimbursement of reasonable program administration costs of self-insured employ-  
5       ers and of insurers of employers who participate in any program funded through the Reemployment  
6       Assistance Program.

7       (2) In order to preclude or reduce nondisabling claims from becoming disabling claims, preclude  
8       on-the-job injuries from recurring, reduce disability by returning injured workers to work sooner and  
9       to help injured workers remain employed, the Director of the Department of Consumer and Business  
10      Services may provide assistance to employers from the Reemployment Assistance Program in such  
11      manner and amount as the director considers appropriate. Assistance may include, but need not be  
12      limited to, modification of work sites. For purposes of this subsection, work site modification may  
13      include engineering design work and occupational health consulting services. Factors to be consid-  
14      ered by the director in determining the extent of assistance must include but need not be limited  
15      to the financial stability and solvency of employers, the employer's record of returning injured  
16      workers to the workplace and the cost-effectiveness of modifications. Assistance may be provided  
17      in the form of grants and matching contributions from employers for funds.

18      (3) In order to encourage the employment of individuals who have incurred compensable injuries  
19      that result in disability which may be a substantial obstacle to employment, the director may pro-  
20      vide, to eligible injured workers and to employers who employ them, assistance from the Workers'  
21      Benefit Fund in such manner and amount as the director considers appropriate.

22      (4)(a) In addition to such assistance as the director may provide under this section, the director  
23      shall provide reimbursement to self-insured employers or to the insurers of employers who hire  
24      preferred workers for the claim costs incurred for injuries to those workers during the first three  
25      years from the date of hire, as follows:

26      (A) The claim costs of injuries incurred by those workers.

27      (B) Reasonable claims administration costs.

28      (b) A worker may not waive eligibility for preferred worker status in the claim by agreement  
29      pursuant to ORS 656.236.

30      (5)(a) In addition to such assistance as the Director of the Department of Consumer and Busi-  
31      ness Services may provide under subsection (3) of this section, the director shall provide to partic-  
32      ipating self-insured employers and the insurers of participating employers reimbursement of  
33      reasonable program administration costs.

34      (b) As used in this subsection, "participating employer" or "participating self-insured  
35      employer" means an employer participating in any program funded through the Reemployment As-  
36      sistance Program.

37      (6) Notwithstanding any other provision of law, determinations by the director regarding as-  
38      sistance pursuant to this section are not subject to review by any court or other administrative  
39      body.

40      (7) The Reemployment Assistance Program shall be funded with moneys collected as provided  
41      in ORS 656.506.

42      (8) Any assistance from the Reemployment Assistance Program shall be to the extent of the  
43      moneys available in the Workers' Benefit Fund, for the purpose of the program as determined by the  
44      director.

45      (9) The director may make such rules as may be required to establish, regulate, manage and

1 disburse moneys in the Workers' Benefit Fund in accordance with the intent of this section. Such  
 2 rules shall include, but are not limited to, the eligibility criteria to receive assistance under this  
 3 section and the issuance of identity cards to preferred workers to assist employers in the adminis-  
 4 tration of the program.

5 (10) Claims costs incurred as a result of an injury sustained by a preferred worker during the  
 6 three years after that worker is hired shall not be included in any data used for ratemaking or in-  
 7 dividual employer rating or dividend calculations by [*a guaranty contract*] **an** insurer, a rating or-  
 8 ganization licensed pursuant to ORS chapter 737, the State Accident Insurance Fund Corporation  
 9 or the Department of Consumer and Business Services. Neither insurance premiums nor premium  
 10 assessments under this chapter are payable for preferred workers.

11 (11) Any moneys from the Workers' Benefit Fund reimbursed to an agency for costs incurred in  
 12 reemploying injured state workers in the manner described in ORS 659A.052 or in providing wage  
 13 subsidies for the reemployment of injured state workers shall be outside the biennial expenditure  
 14 limitation imposed on the agency by the Legislative Assembly and shall be available for expenditure  
 15 by the agency as a continuous appropriation.

16 (12) As used in this section, "preferred worker" means a worker who, because of a permanent  
 17 disability resulting from a compensable injury or occupational disease, is unable to return to the  
 18 worker's regular employment, whether or not an order has been issued awarding permanent disa-  
 19 bility.

20 **SECTION 17.** ORS 656.628 is amended to read:

21 656.628. (1) There is established a Handicapped Workers Program for the benefit of complying  
 22 employers and their workers. The purpose of the program is to encourage the employment or re-  
 23 employment of handicapped workers.

24 (2) As used in this section, "handicapped worker" means a worker who is afflicted with or sub-  
 25 ject to any permanent physical or mental impairment, whether congenital or due to an injury or  
 26 disease, including periodic impairment of consciousness or muscular control of such character that  
 27 the impairment would prevent the worker from obtaining or retaining employment.

28 (3) Any employer of a worker who claims or has received compensation under this chapter, or  
 29 whose dependents have claimed or received such compensation, may file an application with the  
 30 Director of the Department of Consumer and Business Services requesting the director to make the  
 31 determinations referred to in subsection (4) of this section.

32 (4) When the director receives a request referred to in subsection (3) of this section, the director  
 33 shall determine:

34 (a) Whether the injured worker was a handicapped worker and whether the injury, disease or  
 35 death sustained by the worker would not have been sustained except for the handicap; or

36 (b) Whether the injured worker was a handicapped worker and whether the injury, disease or  
 37 death sustained by the worker would have been sustained without regard to the handicap but that:

38 (A) Any resulting disability was substantially greater by reason of the handicap; or

39 (B) The handicap contributed substantially to the worker's death; and

40 (C) Whether the injury, disease or death of the worker would not have occurred except for the  
 41 act or omission of a handicapped worker employed by the same employer and that the act or omis-  
 42 sion of the handicapped worker would not have occurred except for the handicapped worker's  
 43 impairment.

44 (5) If the director determines that any of the conditions described in subsection (4) of this sec-  
 45 tion exist, the director may reimburse the paying agency for compensation amounts in excess of

1 \$1,000 per claimant for all subsequent injuries throughout the claimant's working career, paid as the  
2 result of the condition.

3 (6) The reimbursement paid from the Workers' Benefit Fund shall not be included in any data  
4 used for rate making or individual employer rating or dividend calculations by [*a guaranty*  
5 *contract*] **an** insurer, a rating organization licensed pursuant to ORS chapter 737, the State Accident  
6 Insurance Fund Corporation or the Department of Consumer and Business Services.

7 (7) Notwithstanding any other provision of law:

8 (a) Any reimbursement to employers under the Handicapped Workers Program shall be in such  
9 amounts as the director prescribes and only to the extent of moneys available in the Workers'  
10 Benefit Fund as determined by the director.

11 (b) Determinations made by the director regarding reimbursement from the Workers' Benefit  
12 Fund for the purposes of this section are not subject to review by any court or administrative body.

13 (c) After a determination has been made by the director that an employer will receive re-  
14 imbursement from the Workers' Benefit Fund, any settlement of the claim by the parties is void  
15 unless made with the written approval of the director.

16 (8) The director by rule shall prescribe the form and manner of requesting determinations under  
17 this section, the amount of reimbursement payable and such other matters as may be necessary for  
18 the administration of this section.

19 **SECTION 18.** ORS 656.730 is amended to read:

20 656.730. (1) The Director of the Department of Consumer and Business Services shall promulgate  
21 a plan for the equitable apportionment among the State Accident Insurance Fund Corporation and  
22 all members of workers' compensation rating organizations in the state coverage required by ORS  
23 656.017 for subject employers whose coverage the fund, or any members of such rating organizations,  
24 object to providing. The plan shall include provisions authorized pursuant to ORS 737.265 (2), except  
25 that:

26 (a) Regardless of the rating plans adopted by any rating organization, the plan shall provide a  
27 rating structure with differing rate tiers for insureds too small to qualify for experience rating and  
28 for insureds large enough to be experience rated; and

29 (b) The plan shall seek and be entitled to receive approval for all classification exceptions ap-  
30 proved by the director for any insurer.

31 (2) If any insurer issuing [*guaranty contracts*] **workers' compensation insurance policies** under  
32 this chapter refuses to accept its equitable apportionment under such plan, the director shall revoke  
33 the insurer's authority to issue [*guaranty contracts*] **workers' compensation insurance policies**.

34 **SECTION 19.** ORS 656.740 is amended to read:

35 656.740. (1) A person may contest a proposed order of the Director of the Department of Con-  
36 sumer and Business Services declaring that person to be a noncomplying employer, or a proposed  
37 assessment of civil penalty, by filing with the Department of Consumer and Business Services, within  
38 60 days after the mailing of the order, a written request for a hearing. Such a request need not be  
39 in any particular form, but shall specify the grounds upon which the person contests the proposed  
40 order or assessment. An order by the director under this subsection is prima facie correct and the  
41 burden is upon the employer to prove that the order is incorrect.

42 (2) A person may contest a nonsubjectivity determination of the director by filing a written re-  
43 quest for hearing with the department within 60 days after the mailing of the determination.

44 (3) When any insurance carrier, including the State Accident Insurance Fund Corporation, is  
45 alleged by an employer to have contracted to provide the employer with workers' compensation

1 coverage for the period in question, the Workers' Compensation Board shall join such insurance  
 2 carrier as a necessary party to any hearing relating to such employer's alleged noncompliance or  
 3 to any hearing relating to a nonsubjectivity determination and shall serve the carrier, at least 30  
 4 days prior to such hearing, with notice thereof.

5 (4) A hearing relating to a nonsubjectivity determination, to a proposed order declaring a person  
 6 to be a noncomplying employer, or to a proposed assessment of civil penalty under ORS 656.735,  
 7 shall be held by an Administrative Law Judge of the board's Hearings Division. However, a hearing  
 8 shall not be granted unless a request for hearing is filed within the period specified in subsection  
 9 (1) or (2) of this section, and if a request for hearing is not so filed, the nonsubjectivity determi-  
 10 nation, order or penalty, as proposed, shall be a final order of the department and shall not be  
 11 subject to review by any agency or court.

12 (5) Notwithstanding ORS 183.315 (1), the issuance of nonsubjectivity determinations, orders de-  
 13 claring a person to be a noncomplying employer or the assessment of civil penalties pursuant to this  
 14 chapter, the conduct of hearings and the judicial review thereof shall be as provided in ORS chapter  
 15 183, except that:

16 (a) The order of an Administrative Law Judge in a contested case shall be deemed to be a final  
 17 order of the director.

18 (b) The director shall have the same right to judicial review of the order of an Administrative  
 19 Law Judge as any person who is adversely affected or aggrieved by such final order.

20 (c) When a nonsubjectivity determination or an order declaring a person to be a noncomplying  
 21 employer is contested at the same hearing as a matter concerning a claim pursuant to ORS 656.283  
 22 and 656.704, the review thereof shall be as provided for a matter concerning a claim.

23 (6)(a) If a person against whom an order is issued pursuant to this section prevails at hearing  
 24 or on appeal, the person is entitled to reasonable attorney fees to be paid by the director from the  
 25 Workers' Benefit Fund.

26 (b) If a person against whom an order is issued is found to be a noncomplying employer by the  
 27 director, but the person proves coverage pursuant to subsection (3) of this section and the insurer  
 28 failed to file timely [*a guaranty contract*] **proof of coverage** as required by ORS 656.419 or improp-  
 29 erly canceled the person's coverage, the employer is entitled to reasonable attorney fees paid by the  
 30 insurer.

31 (c) If a worker prevails at hearing or on appeal from a nonsubjectivity determination, the  
 32 worker is entitled to reasonable attorney fees to be paid by the director from the Workers' Benefit  
 33 Fund and reimbursed by the employer.

34 **SECTION 20.** ORS 656.850 is amended to read:

35 656.850. (1) As used in this section and ORS 656.018, 656.403, 656.855 and 737.270:

36 (a) "Worker leasing company" means a person who provides workers, by contract and for a fee,  
 37 to work for a client but does not include a person who provides workers to a client on a temporary  
 38 basis.

39 (b) "Temporary basis" means providing workers to a client for special situations such as to  
 40 cover employee absences, employee leaves, professional skill shortages, seasonal workloads and  
 41 special assignments and projects with the expectation that the position or positions will be termi-  
 42 nated upon completion of the special situation. Workers also are provided on a temporary basis if  
 43 they are provided as probationary new hires with a reasonable expectation of transitioning to per-  
 44 manent employment with the client and the client uses a preestablished probationary period in its  
 45 overall employment selection program.

1 (c) "Temporary service provider" means a person who provides workers, by contract and for a  
2 fee, to a client on a temporary basis.

3 (2) No person shall perform services as a worker leasing company in this state without first  
4 having obtained a license therefor from the Director of the Department of Consumer and Business  
5 Services. No person required by this section to obtain a license shall fail to comply with this section  
6 or ORS 656.855, or any rule adopted pursuant thereto.

7 (3) When a worker leasing company provides workers to a client, the worker leasing company  
8 shall satisfy the requirements of ORS 656.017 and 656.407 and provide workers' compensation cov-  
9 erage for those workers and any subject workers employed by the client unless during the term of  
10 the lease arrangement the client has [*an active guaranty contract*] **proof of coverage** on file with the  
11 director that extends coverage to subject workers employed by the client and any workers leased  
12 by the client. If the client allows the [*guaranty contract to terminate*] **coverage to expire** and con-  
13 tinues to employ subject workers or has leased workers, the client shall be considered a noncom-  
14 plying employer unless the worker leasing company has complied with subsection (5) of this section.

15 (4) When a worker leasing company provides workers for a client, the worker leasing company  
16 shall assure that the client provides adequate training, supervision and instruction for those workers  
17 to meet the requirements of ORS chapter 654.

18 (5) When a worker leasing company provides subject workers to work for a client and also  
19 provides workers' compensation coverage for those workers, the worker leasing company shall notify  
20 the director in writing. The notification shall be given in such manner as the director may prescribe.  
21 A worker leasing company may terminate its obligation to provide workers' compensation coverage  
22 for workers provided to a client by giving to the client and the director written notice of the ter-  
23 mination. A notice of termination shall state the effective date and hour of the termination, but the  
24 termination shall be effective not less than 30 days after the notice is received by the director.  
25 Notice to the client under this section shall be given by mail, addressed to the client at [*its*] **the**  
26 **client's** last-known address. If the client is a partnership, notice may be given to any of the part-  
27 ners. If the client is a corporation, notice may be given to any agent or officer of the corporation  
28 upon whom legal process may be served.

29 **SECTION 21.** ORS 654.097 is amended to read:

30 654.097. (1)(a) An insurer that [*issues guaranty contracts*] **provides workers' compensation**  
31 **coverage** to employers pursuant to ORS chapter 656 shall furnish occupational safety and health  
32 loss control consultative services to its insured employers in accordance with standards established  
33 by the Director of the Department of Consumer and Business Services.

34 (b) A self-insured employer shall establish and implement an occupational safety and health loss  
35 control program in accordance with standards established by the director.

36 (2) An insurer or self-insured employer may furnish any of the services required by this section  
37 through an independent contractor.

38 (3) The program of an insurer for furnishing loss control consultative services as required by  
39 this section shall be adequate to meet the minimum standards prescribed by the director by rule  
40 from time to time. Such services shall include the conduct of workplace surveys to identify health  
41 and safety problems, review of employer injury records with appropriate persons and development  
42 of plans for improvement of employer health and safety loss records. At the time a [*guaranty*  
43 *contract*] **workers' compensation insurance policy** is issued and on an annual basis thereafter, the  
44 insurer shall notify its insured employers of the loss control consultative services that the insurer  
45 is required by rule to offer, without additional charge as provided in this section, and shall provide

1 a written description of the services that the insurer does offer.

2 (4) The insurer shall not charge any fee in addition to the insurance premium for safety and  
 3 health loss control consultative services.

4 (5) Each insurer shall make available, at the request of the director and in the form prescribed  
 5 by the director, its annual expenditures for safety and health loss control activities for the prior  
 6 year and its budget for safety and health loss control activities for the following year.

7 (6) As used in this section, “employer,” “insurer” and “self-insured employer” have the meaning  
 8 for those terms provided in ORS 656.005.

9 **SECTION 22.** ORS 731.158 is amended to read:

10 731.158. “Casualty insurance” means:

11 (1) Insurance against legal, contractual or assumed liability for death, injury or disability of any  
 12 human, or for damage to property; and provision for medical, hospital, surgical and disability bene-  
 13 fits to injured persons including insurance against the risk of economic loss assumed under a less  
 14 than fully insured employee health benefit plan and funeral and death benefits to dependents, bene-  
 15 ficiaries or personal representatives of persons killed, irrespective of legal liability of the insured,  
 16 when issued as coverage for personal injury protection benefits under a motor vehicle liability pol-  
 17 icy or as an incidental coverage with or supplemental to liability insurance;

18 (2) Motor vehicle physical damage, burglary and theft, glass, boiler and machinery, credit and  
 19 livestock insurance;

20 (3) Insurance of the obligations accepted by, imposed upon or assumed by employers under law  
 21 for death, disablement or occupational diseases of employees, including issuing [*guaranty contracts*]  
 22 **workers’ compensation insurance policies** in connection therewith;

23 (4) Insurance which undertakes to perform or provide repair or replacement service or  
 24 indemnification therefor for the operational or structural failure of specified real or personal prop-  
 25 erty or property components; and

26 (5) Insurance against any other kind of loss, damage or liability properly a subject of insurance  
 27 and not within any other class of insurance otherwise defined, if such insurance is not disapproved  
 28 by the Director of the Department of Consumer and Business Services as being contrary to law or  
 29 public policy.

30 **SECTION 23.** ORS 731.475 is amended to read:

31 731.475. (1) Every insurer authorized to issue workers’ compensation coverage to subject em-  
 32 ployers as required by ORS chapter 656 shall maintain a place of business in this state where the  
 33 insurer shall:

34 (a) Process, and keep complete records of, claims for compensation made to the insurer under  
 35 ORS chapter 656.

36 (b) Make available upon request complete records, including all records submitted electronically,  
 37 of all [*guaranty contracts*] **workers’ compensation insurance policies** issued as required by ORS  
 38 chapter 656.

39 (c) Keep records identifying the specific persons covered by an employer electing coverage  
 40 pursuant to ORS 656.039.

41 (2) Claims records must be retained in, and may be removed from, this state or disposed of, in  
 42 accordance with the rules of the Director of the Department of Consumer and Business Services.  
 43 The records must be available to the Department of Consumer and Business Services for examina-  
 44 tion and audit at all reasonable times upon notice by the department to the insurer.

45 (3) In lieu of establishing a place of business in this state for the purpose required by this sec-

1 tion, an insurer may keep such records in this state at places of business operated by service com-  
2 panies, if:

3 (a) Each service company is incorporated in or authorized to do business in this state;

4 (b) The agreement entered into between the insurer and the service company grants each ser-  
5 vice company a power of attorney to act for the insurer in workers' compensation coverage and  
6 claims proceedings under ORS chapter 656; and

7 (c) The agreement entered into between the insurer and each service company is approved by  
8 the director.

9 (4) Notwithstanding subsection (3) of this section, an insurer may not:

10 (a) Enter into a service agreement contract with one of its insureds unless the insured has ser-  
11 vice contracts with other insurers; or

12 (b) Have more than eight locations at any one time where claims are processed or records are  
13 maintained.

14 **SECTION 24.** ORS 731.480 is amended to read:

15 731.480. An insurer shall not issue [*guaranty contracts*] **workers' compensation insurance**  
16 **policies** pursuant to ORS chapter 656 unless it furnishes occupational safety and health loss control  
17 consultative services to its insured employers consistent with the requirements of ORS 654.097.

18 **SECTION 25.** ORS 731.590 is amended to read:

19 731.590. As used in ORS 731.592 and 731.594, "insurer" includes, but is not limited to:

20 (1) An insurer, as defined in ORS 731.106.

21 (2) A health care service contractor, as defined in ORS 750.005, including, but not limited to, a  
22 health maintenance organization.

23 (3) A multiple employer welfare arrangement, as defined in ORS 750.301.

24 (4) A legal entity that is self-insured and provides insurance services to its employees.

25 (5) [*A guaranty contract*] **An** insurer, as defined in ORS 656.005.

26 (6) An employer authorized under ORS chapter 656 to self-insure its workers' compensation risk.

27 (7) A fraternal benefit society, as described in ORS 748.106.

28 (8) An insurance producer, as defined in ORS 731.104.

29 **SECTION 26.** ORS 731.608 is amended to read:

30 731.608. (1) Except as provided in subsection (2) of this section, deposits made in this state under  
31 ORS 731.624 shall be held for the faithful performance by the insurer of all insurance obligations,  
32 including claims for unearned premiums, with respect to domestic risks pertaining to the particular  
33 class of insurance for which the deposit was made. However, there shall be excluded from each such  
34 obligation the same amount as is excluded in determining the obligation of the Oregon Insurance  
35 Guaranty Association under ORS 734.510 to 734.710.

36 (2) If at any time a deposit made under ORS 731.624 by a particular insurer is insufficient to  
37 perform the insurance obligations upon the faithful performance of which the deposit was condi-  
38 tioned, then any other deposit made under ORS 731.624 by that insurer shall be so used to the extent  
39 that such other deposit is not used to perform the insurance obligations upon the faithful perform-  
40 ance of which such other deposit was conditioned.

41 (3) Deposits made by insurers and reinsurers in this state under ORS 731.628 shall be held for  
42 the payment of compensation benefits to workers employed by insured employers other than those  
43 insured with the State Accident Insurance Fund Corporation to whom the insurer has issued a  
44 [*guaranty contract*] **workers' compensation insurance policy** under ORS chapter 656. Deposits  
45 made by insurers and reinsurers under ORS 731.628 also shall be held to reimburse the Department

1 of Consumer and Business Services, subject to approval by the Director of the Department of Con-  
 2 sumer and Business Services, for costs incurred by the department in processing workers' compen-  
 3 sation claims of insurers which have been placed in liquidation, receivership, rehabilitation or other  
 4 such status for the orderly conservation or distribution of assets, pursuant to the laws of this state  
 5 or any other state.

6 (4) A deposit made in this state by a domestic insurer transacting insurance in another juris-  
 7 diction, and as required by the laws of such jurisdiction, shall be held for the purpose or purposes  
 8 required by such laws.

9 (5) Deposits of foreign and alien insurers required pursuant to ORS 731.854 shall be held for  
 10 such purposes as are required by such law, and as specified by the director's order by which the  
 11 deposit is required.

12 (6) Deposits of domestic reciprocal insurers required pursuant to ORS 731.632 shall be held for  
 13 the benefit of subscribers wherever located.

14 **SECTION 27.** ORS 731.628 is amended to read:

15 731.628. (1) In addition to any other requirement therefor under the Insurance Code, each  
 16 insurer other than the State Accident Insurance Fund Corporation that issues [*guaranty contracts*]  
 17 **workers' compensation insurance policies** to employers under ORS chapter 656 shall deposit with  
 18 the Department of Consumer and Business Services an amount that is the greater of the following  
 19 amounts:

20 (a) \$100,000.

21 (b) An amount equal to the sum described in this paragraph less credits for approved reinsur-  
 22 ance that the insurer may take under subsection (2) of this section. The sum under this paragraph  
 23 is the sum of the following, computed as of December 31 next preceding in respect to [*guaranty*  
 24 *contracts*] **workers' compensation insurance policies** written subject to ORS chapter 656:

25 (A) The aggregate of the present values at four percent interest of the determined and estimated  
 26 future loss and loss-expense payments upon claims incurred more than three years next preceding  
 27 the date of computation.

28 (B) The aggregate of the amounts computed under this subparagraph for each of the three years  
 29 next preceding the date of computation. The amount for each year shall be 65 percent of the earned  
 30 premiums for the year less all loss and loss-expense payments made upon claims incurred in the  
 31 corresponding year, except that the amount for any year shall not be less than the present value  
 32 at four percent interest of the determined and estimated future loss and loss-expense payments upon  
 33 claims incurred in that year.

34 (2) Before an insurer may take a credit for reinsurance under subsection (1)(b) of this section,  
 35 the reinsurer must deposit with the department an amount equal to the credit to be taken.

36 (3) An insurer may be allowed the credit referred to in subsection (1)(b) of this section only  
 37 when the reinsurer has deposited with the department an amount equal to the credit.

38 **SECTION 28.** ORS 737.602 is amended to read:

39 737.602. (1) As used in this section:

40 (a) "Project" means a construction project, a plant expansion or improvements within Oregon  
 41 with an aggregate construction value in excess of \$90 million that is to be completed within a de-  
 42 fined period. The average construction value during the defined period of the project must be at  
 43 least \$18 million per year. "Project" does not mean a series of unrelated construction projects arti-  
 44 ficially aggregated to satisfy the \$90 million requirement.

45 (b) "Project sponsor" means public bodies, utilities, corporations and firms undertaking to con-

1 struct a project in excess of \$90 million and conducting business in the State of Oregon.

2 (c) "Public body" has the meaning given the term in ORS 30.260.

3 (2) Notwithstanding ORS 279C.530, 656.126, 737.600 or 746.160, an insurer approved to transact  
4 insurance in this state, including the State Accident Insurance Fund Corporation or [a *guaranty*  
5 *contract*] **an** insurer as defined in ORS 656.005, may issue with the prior approval of the Director  
6 of the Department of Consumer and Business Services a policy of **workers' compensation** insur-  
7 **ance** [or a *guaranty contract covering and insuring*] **covering** the project sponsor, the prime con-  
8 tractor under a contract for the construction of the project, any contractors or subcontractors with  
9 whom the prime contractor may enter into contracts for the purpose of fulfilling its contractual  
10 obligations in construction of the project and any other contractors engaged by a project sponsor  
11 to provide architectural or other design services, engineering services, construction management  
12 services, other consulting services relating to the design and construction of the project or any  
13 combination thereof.

14 (3) The following provisions apply to premiums under a policy of **workers' compensation** in-  
15 **surance** [or *guaranty contract*] described in subsection (2) of this section:

16 (a) A project sponsor or a prime contractor may not charge a premium for coverage under a  
17 policy of insurance [or a *guaranty contract*] to a contractor or subcontractor with whom the project  
18 sponsor or prime contractor enters into a contract or engages for services described in subsection  
19 (2) of this section.

20 (b) A prime contractor may not charge a project sponsor a premium for coverage under a policy  
21 of insurance [or a *guaranty contract*] other than a premium approved by the director under ORS  
22 chapter 737 prior to or at the same time as the director approves the project to which the policy  
23 [or *guaranty contract*] applies.

24 (c) Charging a premium prohibited by this subsection constitutes the unlawful transaction of  
25 insurance in violation of ORS 731.354.

26 (4) The director, upon application of any insurer, shall approve the issuance of a policy of in-  
27 **surance** [or a *guaranty contract*] to any grouping of the persons described in subsection (2) of this  
28 section if:

29 (a) The grouping was formed for the purpose of performing a contract or a series of related  
30 contracts for the design and construction of a project for the project sponsor;

31 (b) The project sponsor can reasonably demonstrate that the formation and operation of the  
32 grouping will substantially improve accident prevention and claims handling to the benefit of the  
33 project sponsor and the contractors and workers employed by the project sponsor on construction  
34 related projects;

35 (c) The established rating and auditing standards required by authorized advisory organizations  
36 and rating organizations are adhered to;

37 (d) The insurer for the grouping guarantees adequate protection to any other insurance producer  
38 that demonstrates that without such protection the producer will suffer losses that will constitute  
39 a threat to the continuation of the business of the producer;

40 (e) The insurer for the grouping guarantees insurance coverage of the classes of insurance is-  
41 **sued** to the grouping to any contractor who, because of participation in the group, has been unable  
42 to maintain the contractor's normal coverage. The insurer's obligation under this paragraph shall  
43 continue until 12 months after substantial completion of the contractor's work;

44 (f) By permitting this grouping for a project sponsor, greater opportunities will be made avail-  
45 **able** for historically underutilized businesses to bid on the project;

1 (g) The project insurers agree to provide not less than 90 days' notice to all insured parties of  
 2 the cancellation or any material reduction in coverage for the project;

3 (h) The insurance coverage for the grouping contains a severability of interest clause with re-  
 4 spect to liability claims between individuals insured under the group policy and includes contractual  
 5 liability coverage that applies to the various contracts and subcontracts entered into in connection  
 6 with the project; and

7 (i) The insurer places with the Department of Consumer and Business Services a special deposit  
 8 of \$25,000 per \$100 million of construction project value, or an amount prescribed by rule of the  
 9 director, whichever is greater.

10 **SECTION 29.** ORS 746.145 is amended to read:

11 746.145. (1) Notwithstanding ORS 737.600, but subject to all other rate filing requirements of  
 12 ORS chapter 737, an insurer may combine for dividend purposes the experience of a group of em-  
 13 ployers covered for workers' compensation insurance by the insurer, subject to applicable rules  
 14 adopted by the Director of the Department of Consumer and Business Services, if:

15 (a) All the employers in the group are members of an organization.

16 (b) The employers in the group constitute at least 50 percent of the employers in the organiza-  
 17 tion, unless the number of covered workers in the group exceeds 500, in which case the employers  
 18 in the group must constitute at least 25 percent of the employers in the organization.

19 (c) The grouping of employers is likely to substantially improve accident prevention, claims  
 20 handling for the employers and reduce expenses.

21 (2) This section does not apply to an organization of employers for which organization a work-  
 22 ers' compensation policy was lawfully issued before October 4, 1977. The [*guaranty contract*] **policy**  
 23 required by ORS 656.419 shall contain for each employer covered thereby the information required  
 24 by ORS 656.419 (2). When an employer becomes an insured member of the organization the insurer  
 25 shall, within 30 days after the date insured membership commenced, file a notice thereof with the  
 26 director.

27 **SECTION 30.** Except as provided in section 31 of this 2007 Act, the amendments to ORS  
 28 654.097, 656.005, 656.039, 656.128, 656.210, 656.268, 656.407, 656.419, 656.423, 656.427, 656.443,  
 29 656.447, 656.622, 656.628, 656.726, 656.730, 656.740, 656.850, 731.158, 731.475, 731.480, 731.590,  
 30 731.608, 731.628, 737.602 and 746.145 by sections 1 to 29 of this 2007 Act become operative on  
 31 July 1, 2009.

32 **SECTION 31.** The Director of the Department of Consumer and Business Services may  
 33 take any action before the operative date of this 2007 Act that is necessary to enable the  
 34 director to exercise, on and after the operative date of this 2007 Act, all the duties, functions  
 35 and powers conferred on the director by this 2007 Act.

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