



June 27, 2014

OET Member Agent
1234 Main Street
Salem Oregon 973xx

RE: Decertification Notice

Dear Agent,

Consistent with SB 1558 Section 10 the Oregon Employers Trust conducted a vote of its membership to determine if the group will continue functioning as a self-insured group or will no longer continue to function as a self-insured group after September 14, 2014. As required with subsection (2)(a) the group's administrator (Empire Pacific Risk Management, Inc.) provided each member of the group with written notification of the consequences of continuing to function as a self-insured group and ceasing to function as a self-insured group.

The vote of the membership illustrates that a majority of the Trust members would like the trust to continue as a self-insured group.

However, since the Workers' Compensation Division sent out their decertification letter in July 2013, the Trust has experienced drastic change. More than one half of the trust membership either cancelled or declined to renew. Subsequent decline in premiums paid, reduced income yet claims cost continue. The trust is out of cash and unable to pay timely all bills.

A meeting of the Board of Directors took place June 20th, 2014. The Board of Directors voted for decertification. The Board voted to decertify because of continued insufficient cash-flow, the Trust's inability to meet the current and anticipated regulatory requirements, negative trending and the "one time window" to receive money for future claims costs from the state worker's benefit fund.

The Board of Directors served notice that the Trust was decertifying as a self-insured group on June 25th. Although a vote of the membership illustrates a clear majority would prefer to keep the Trust as a workers' compensation market option the Board of Directors believes that the trust cannot remain viable and should decertify in the best interests of the membership. The Trust's administrator received confirmation of receipt and acceptance of the OET decertification notice on this date June 27, 2014. Notifications to both agents and the membership were disseminated immediately thereafter.

To enable current members of the Trust sufficient time to find competitive coverage options OET will continue to provide coverage through August 2014. If any trust members have been unable to bind coverage as of September 1st 2014, the group's administrator will assist in identifying coverage options prior to September 14, 2014 statutory end-date. The administrator will verify that all Trust members have coverage in accordance with SB 1558 and then report to the State.

The agents and the membership are reminded that the Trust must continue operations for the next five (5) years to meet the requirements of the NCCI (rating bureau) for maintaining experience rating modifiers, insurers, attorneys and other vendors. In addition the Trust must meet the regulatory reporting requirements of the state. These functions are in addition to the management of the Trust's claims.

Agents are asked to remind OET members that they are still responsible for contributions, audits and assessments that are owed to the Trust.

Observations are that SB 1558 has been misinterpreted specific to the topic of decertification. It should be made very clear that decertification of OET may mitigate the future claims liabilities of the Trust but decertification under SB 1558 does not mitigate all the future liabilities of the trust. Membership obligations to the Trust, both past and present, must be honored.

Agents are reminded that with the passage of SB 1558 the Department of Consumer and Business Services Director has expanded authority. This authority allows the director to directly assess, at any future date, the membership of a self-insured group. The director may also apply civil penalties to those members that do not comply with assessments or other obligations.

OET members are encouraged to contact their agents and/or the client services staff of the administrator and discuss the member's specific and individual requirements following the decertification of the trust.



Peter Dinsdale, OET President



Todd Hennelly, OET Trust Administrator