DFR | Division of Financial Regulation
Department of Consumer and Business Services

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Oregon Department of Consumer and Business Services Division of Financial Regulation, Bulletin No. DFR 2026-5

To: All entities transacting insurance in Oregon

Date: July 14, 2026

RE: Paid Leave Oregon as an "Other Benefit" that reduces Short-Term Disability benefits

PURPOSE

This bulletin provides updated guidance on the Division of Financial Regulation's (DFR) expectations of insurers who write Short Term Disability policies, in light of 2025 legislation (SB 1148) and implementation of the Paid Leave Oregon program. This bulletin replaces current Bulletin No. DFR 2024-8, which was published October 10, 2024.

AUTHORITY

- ORS 742.003; 742.005; 742.007; 743B.260

BACKGROUND

In 2019, the Oregon legislature enacted the Paid Leave Oregon program, which was implemented on September 3, 2023. Under Paid Leave Oregon, if a worker cannot work because of a serious health condition, the worker can be entitled to paid medical leave. See ORS 657B.010, et seq.[1]

For decades in Oregon, insurers have offered a similar benefit, by selling Short-Term Disability insurance (STD). Similar to Paid Leave Oregon, STD provides a worker with some degree of income replacement if the worker cannot do their job because of a disabling health condition. Workers eligible for STD benefits may also be eligible for benefits under Paid Leave Oregon.

Many STD policies include "Other Income," "Other Benefit" or "Deductible Income" provisions, which allow STD insurers to deduct the 'other benefits' from the worker's STD benefits. Prior to 2025 legislation, these provisions could stipulate that if a worker was eligible for STD benefits, and if the worker was also eligible for any other benefit on the same grounds, then the worker must apply for that other benefit (or benefits)

[1] Medical leave is one of several purposes for which a worker can receive Paid Leave Oregon benefits. The others are family leave and safe leave. See ORS 657B.010 and 657B.020.

before receiving any STD benefit.

Pursuant to these “Other Benefit” provisions, some STD insurers required their insureds to apply for Paid Leave Oregon before receiving any STD benefit. DFR’s previous bulletin on this topic, DFR Bulletin 2024-8, provided guidance regarding clear and timely consumer notification of such provisions.

In 2025, the Oregon Legislature passed SB 1148, which specified that disability income insurers are prohibited from requiring workers to apply for or collect Paid Leave Oregon benefits as eligibility criteria for STD benefits. However, STD insurers with policies including “Other Benefit” provisions remain permitted to reduce STD benefits by the amount of the ‘other benefits.’ This means that if a worker declines to apply for or collect their ‘other benefits,’ an STD insurer would still be permitted to deduct an estimated amount from the worker’s STD benefit amount.

In other words, if the STD policy includes an “Other Benefit” provision, the STD policy is still the last in line to pay the worker for their missed work regardless of application or receipt of any “other benefits”.

GUIDANCE FOR INSURERS

If the terms of an STD policy allow the insurer to reduce STD benefits due in any part to the availability of Paid Leave Oregon benefits, all plan documents must clearly and conspicuously inform consumers that:

1. The consumer might be eligible for leave benefits under the Paid Leave Oregon program;
2. The consumer is not required to apply for or accept Paid Leave Oregon benefits in order to receive STD benefits;
3. If a consumer does not apply for Paid Leave Oregon, the insurer may estimate a consumer’s Paid Leave Oregon benefit amount; and
4. The insurer will reduce the consumer’s STD benefits on account of Paid Leave Oregon benefits received or eligible to be received by the consumer.

Effective September 1, 2026, insurers must submit updated plan documents for DFR approval within 18 months of this bulletin’s date or at renewal, whichever is earlier. Alternatively, when appropriate, insurers may file an endorsement notice included with their renewal.

Further, DFR expects all insurers to continue to offer actuarially sound rates that factor all reductions in STD benefits, including those made to account for availability of Paid Leave Oregon benefits.

Requests for additional information or other inquiries regarding this bulletin may be directed to DFR.Bulletin@dcbs.oregon.gov.

TK Keen, Administrator
Insurance Commissioner
Division of Financial Regulation
Department of Consumer and Business Services

7/14/2026
Date