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## Financial Institutions & Insurance Committee

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### HB 1107

**Brief Description:** Regarding local government self-insurance programs and public records.

**Sponsors:** Representative Williams.

#### Brief Summary of Bill

- Prohibits a self-insurance program from establishing terms under which a local government entity complies with the Public Records Act (PRA).
- Prohibits a self-insurance program from cancelling or threatening to cancel insurance coverage based upon a local government entity's decision to release public records in compliance with the PRA.

**Hearing Date:** 1/22/09

**Staff:** Jon Hedegard (786-7127)

#### Background:

Local government entities have the authority to individually or jointly self-insure against risks, jointly purchase insurance or reinsurance, and contract for risk management, claims, and administrative services. Subject to specified conditions, local government entities may enter into joint self-insurance pools with similar entities from other states. The Risk Management Division within the Office of Financial Management (OFM) is responsible for the regulation of these pools. The pools are also subject to audit by the State Auditor (Auditor). Joint risk pools may self-insure, purchase insurance or reinsurance, or both. Joint risk pools may contract or provide for risk management and loss control services and contract or provide legal counsel for the defense of claims and other legal services.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

"Local government entity" or "entity" is defined as every unit of local government, both general purpose and special purpose, and includes, but is not limited to, counties, cities, towns, port districts, public utility districts, water-sewer districts, school districts, fire protection districts, irrigation districts, metropolitan municipal corporations, conservation districts, and other political subdivisions, governmental subdivisions, municipal corporations, and quasi-municipal corporations.

An entity or entities proposing a self-insurance program requiring prior approval must submit a plan of management and operation to the State Risk Manager (Manager) and the Auditor that provides at least the following information:

- the risk or risks to be covered;
- the amount and method of financing the benefits or covered risks, including the initial capital and proposed rates and projected premiums;
- the proposed claim reserving practices;
- the proposed purchase and maintenance of insurance or reinsurance in excess of the amounts retained by the self-insurance program;
- in the case of a joint program, the legal structure of the program, including any by-laws, charter, or trust agreement;
- in the case of a joint program, the agreements with members of the program defining the responsibilities and benefits of each member and management;
- the proposed accounting, depositing, and investment practices of the program;
- the proposed time when actuarial analysis will be first conducted and the frequency of future actuarial analysis;
- the name of the appropriate person for service of process purposes;
- all contracts between the program and private persons providing risk management, claims, or other administrative services;
- a professional analysis of the feasibility of creation and maintenance of the program; and
- any other information required by rule of the Manager.

If a program is approved by the OFM, there are ongoing reporting and oversight requirements.

In 2004 the Legislature allowed nonprofit corporations to self-insure property and liability risks with other nonprofit corporations or with local government entities. Those risk pools are held to the same oversight and standards as a local government risk pool.

**Summary of Bill:**

A self-insurance program is not able to define the terms under which an entity complies with the PRA. A self-insurance program may not cancel or threaten to cancel insurance coverage based upon an entity's decision, in consultation with its attorneys, to release public records in compliance with the PRA.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.