

HOUSE BILL REPORT

SSB 5342

*As Reported By House Committee on:
Commerce & Labor*

Title: An act relating to payment by annuity by self-insured employers.

Brief Description: Authorizing payment by annuity by self-insured employers.

Sponsor(s): Senate Committee on Commerce & Labor (originally sponsored by Senators Matson, Anderson, Owen, McCaslin and Oke).

Brief History:

Reported by House Committee on:
Commerce & Labor, April 5, 1991, DPA.

**HOUSE COMMITTEE ON
COMMERCE & LABOR**

Majority Report: *Do pass as amended.* Signed by 10 members: Representatives Heavey, Chair; Cole, Vice Chair; Fuhrman, Ranking Minority Member; Lisk, Assistant Ranking Minority Member; Franklin; Jones; R. King; O'Brien; Prentice; and Wilson.

Staff: Chris Cordes (786-7117).

Background: Qualified employers are allowed to self-insure their workers' compensation programs. In the event of death or total permanent disability of a worker insured by a self-insured employer, the employer must pay the state reserve fund the amount of money needed to cover the benefit payments. The Department of Labor and Industries then makes the payments to the worker or worker's beneficiary.

Alternatively, a self-insurer may post a bond, place securities or cash in an escrow account, or use an assigned bank account to cover the benefits. The department makes the payments to the beneficiary and is periodically reimbursed by the self-insurer. The self-insurer is also required to pay the department an amount equal to the first three months of pension payments.

Summary of Amended Bill: In cases of death or permanent total disability of a worker of a self-insured employer, the

employer is given a new option for paying the benefits of the worker or worker's beneficiary. In addition to providing cash, bonds, or an assignment of a bank account to cover the payment, the self-insured employer may purchase an annuity in an amount determined by the Department of Labor and Industries to be reasonably sufficient to insure payment of the pension benefits. The institution from which annuities may be purchased must have a specified rating from the standard financial rating companies, have assets of at least 10 billion dollars, and must hold assets of a specified quality.

Under the alternative payment procedures, the department will administer the payments and be reimbursed by the self-insurer.

The department is authorized to adopt rules governing the use of annuities, including rules to ensure that adequate funds will be available in case of failure of the institution providing the annuity or of the self-insurer's business.

The department may require that the amount of the annuity be adjusted periodically, based on the outstanding annuity value for the claim.

Amended Bill Compared to Substitute Bill: The amendment establishes minimum standards for institutions from which annuities may be purchased. The institution must have a specified rating from the standard financial rating companies, have assets of at least 10 billion dollars, and must hold assets of a specified quality.

Fiscal Note: Available.

Effective Date of Amended Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: The bill provides the self-insured employers with another option for securing industrial insurance benefits. There are several safeguards in place now, including the guarantee fund.

Testimony Against: None.

Witnesses: (In favor): Melanie Stewart, Washington Self-Insurers Association. (Neutral): Jody Moran, Department of Labor and Industries.