HOUSE BILL REPORT

SSB 5342

As Passed House - Amended
March 3, 1992

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

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

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

Brief History:
Reported by House Committee on:
Commerce & Labor, February 25, 1992, DPA;
Passed House, March 3, 1992, 96-0.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: *Do pass as amended.* Signed by 11 members: Representatives Heavey, Chair; G. Cole, Vice Chair; Fuhrman, Ranking Minority Member; Lisk, Assistant Ranking Minority Member; Franklin; Jones; R. King; O'Brien; Prentice; Vance; and Wilson.

Staff: Chris Cordes (786-7117).

Background: Qualified employers are allowed to self-insure their workers' compensation programs. If a worker insured by a self-insured employer dies or becomes totally and permanently disabled, 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 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, 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's authority to adopt rules includes rules governing the use of annuities, and ensuring 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.

Fiscal Note: Available.

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

Testimony For: Allowing self-insurers to purchase annuities, in addition to the other financing mechanisms now available, would enhance the options for guaranteeing industrial insurance pension and death benefits.

Testimony Against: There is some concern because one annuity company recently ceased doing business. If this method of guaranteeing worker benefits provides savings to the self-insurers, then the savings should be directed to improving industrial insurance benefits.

Witnesses: (In favor): Melanie Stewart, Washington Self-Insurers Association; June Bandy, Seattle School District; and Clif Finch, Association of Washington Business. (Opposed): Bill Hochberg, Washington State Trial Lawyers Association.