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**ENGROSSED SUBSTITUTE HOUSE BILL 1907**

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**State of Washington**

**52nd Legislature**

**1991 Regular Session**

**By** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Dellwo, Broback, Zellinsky, Mielke, Anderson, R. Meyers, Winsley, Inslee, Paris, Dorn, Schmidt, Scott and R. Johnson). Read first time March 5, 1991.

1       AN ACT Relating to the regulation of local government self-  
2 insurance; amending RCW 41.04.180, 35.23.460, 35A.41.020, 36.32.400,  
3 53.08.170, 54.04.050, 56.08.100, 57.08.100, 43.09.260, 39.58.080, and  
4 4.28.080; adding new sections to chapter 48.62 RCW; creating new  
5 sections; repealing RCW 48.62.010, 48.62.020, 48.62.030, 48.62.035,  
6 48.62.040, 48.62.050, 48.62.060, 48.62.070, 48.62.080, 48.62.090,  
7 48.62.100, 48.62.110, and 48.62.120; and providing an effective date.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

9       NEW SECTION.   **Sec. 1.**       This chapter is intended to provide the  
10 exclusive source of local government entity authority to individually  
11 or jointly self-insure risks, jointly purchase insurance or  
12 reinsurance, and to contract for risk management, claims, and  
13 administrative services. This chapter shall be liberally construed to  
14 grant local government entities maximum flexibility in self-insuring to  
15 the extent the self-insurance programs are operated in a safe and sound

1 manner. This chapter is intended to require prior approval for the  
2 establishment of every individual local government self-insured  
3 employee health and welfare benefit program and every joint local  
4 government self-insurance program. In addition, this chapter is  
5 intended to require every local government entity that establishes a  
6 self-insurance program not subject to prior approval to notify the  
7 state of the existence of the program and to comply with the regulatory  
8 and statutory standards governing the management and operation of the  
9 programs as provided in this chapter. This chapter is not intended to  
10 authorize or regulate self-insurance of unemployment compensation under  
11 chapter 50.44 RCW, or industrial insurance under chapter 51.14 RCW.

12 NEW SECTION. **Sec. 2.** Unless the context clearly requires  
13 otherwise, the definitions in this section apply throughout this  
14 chapter.

15 (1) "Local government entity" or "entity" means every unit of local  
16 government, both general purpose and special purpose, and includes, but  
17 is not limited to, counties, cities, towns, port districts, public  
18 utility districts, water districts, sewer districts, school districts,  
19 fire protection districts, irrigation districts, metropolitan municipal  
20 corporations, conservation districts, and other political subdivisions,  
21 governmental subdivisions, municipal corporations, and quasi-municipal  
22 corporations.

23 (2) "Risk assumption" means a decision to absorb the entity's  
24 financial exposure to a risk of loss without the creation of a formal  
25 program of advance funding of anticipated losses.

26 (3) "Self-insurance" means a formal program of advance funding and  
27 management of entity financial exposure to a risk of loss that is not  
28 transferred through the purchase of an insurance policy or contract.

1 (4) "Health and welfare benefits" means a plan or program  
2 established by a local government entity or entities for the purpose of  
3 providing its employees and their dependents, and in the case of school  
4 districts, its district employees, students, directors, or any of their  
5 dependents, with health care, accident, disability, death, and salary  
6 protection benefits.

7 (5) "Property and liability risks" includes the risk of property  
8 damage or loss sustained by a local government entity and the risk of  
9 claims arising from the tortious or negligent conduct or any error or  
10 omission of the local government entity, its officers, employees,  
11 agents, or volunteers as a result of which a claim may be made against  
12 the local government entity.

13 (6) "State risk manager" means the state risk manager of the  
14 division of risk management within the department of general  
15 administration.

16 NEW SECTION. **Sec. 3.** (1) The governing body of a local  
17 government entity may individually self-insure, may join or form a  
18 self-insurance program together with other entities, and may jointly  
19 purchase insurance or reinsurance with other entities for property and  
20 liability risks, and health and welfare benefits only as permitted  
21 under this chapter. In addition, the entity or entities may contract  
22 for or hire personnel to provide risk management, claims, and  
23 administrative services in accordance with this chapter.

24 (2) The agreement to form a joint self-insurance program shall be  
25 made under chapter 39.34 RCW.

26 (3) Every individual and joint self-insurance program is subject to  
27 audit by the state auditor.

1 (4) If provided for in the agreement or contract established under  
2 chapter 39.34 RCW, a joint self-insurance program may, in conformance  
3 with this chapter:

4 (a) Contract or otherwise provide for risk management and loss  
5 control services;

6 (b) Contract or otherwise provide legal counsel for the defense of  
7 claims and other legal services;

8 (c) Consult with the state insurance commissioner and the state  
9 risk manager;

10 (d) Jointly purchase insurance and reinsurance coverage in such  
11 form and amount as the program's participants agree by contract; and

12 (e) Possess any other powers and perform all other functions  
13 reasonably necessary to carry out the purposes of this chapter.

14 (5) A local government entity that has decided to assume a risk of  
15 loss must have available for inspection by the state auditor a written  
16 report indicating the class of risk or risks the governing body of the  
17 entity has decided to assume.

18 (6) Every joint self-insurance program governed by this chapter  
19 shall appoint the risk manager as its attorney to receive service of,  
20 and upon whom shall be served, all legal process issued against it in  
21 this state upon causes of action arising in this state.

22 (a) Service upon the risk manager as attorney shall constitute  
23 service upon the program. Service upon joint insurance programs  
24 subject to this act can be had only by service upon the risk manager.  
25 At the time of service, the plaintiff shall pay to the risk manager a  
26 fee to be set by the risk manager, taxable as costs in the action.

27 (b) With the initial filing for approval with the risk manager,  
28 each joint self-insurance program shall designate by name and address  
29 the person to whom the risk manager shall forward legal process so

1 served upon him or her. The joint self-insurance program may change  
2 such person by filing a new designation.

3 (c) The appointment of the risk manager as attorney shall be  
4 irrevocable, shall bind any successor in interest or to the assets or  
5 liabilities of the joint self-insurance program, and shall remain in  
6 effect as long as there is in force in this state any contract made by  
7 the joint self-insurance program or liabilities or duties arising  
8 therefrom.

9 (d) The risk manager shall keep a record of the day and hour of  
10 service upon him or her of all legal process. A copy of the process,  
11 by registered mail with return receipt requested, shall be sent by the  
12 risk manager, to the person designated for the purpose by the joint  
13 self-insurance program in its most recent such designation filed with  
14 the risk manager. No proceedings shall be had against the joint self-  
15 insurance program, and the program shall not be required to appear,  
16 plead, or answer, until the expiration of forty days after the date of  
17 service upon the risk manager.

18 NEW SECTION. **Sec. 4.** (1) The property and liability advisory  
19 board is created, consisting of the insurance commissioner and the  
20 state risk manager, or their designees, as ex officio members and five  
21 members appointed by the governor on the basis of their experience and  
22 knowledge in matters pertaining to local government risk management,  
23 self-insurance, and management of joint self-insurance programs. The  
24 board shall include at least two representatives from individual  
25 property or liability self-insurance programs and at least two  
26 representatives from joint property or liability self-insurance  
27 programs.

28 (2) The board shall assist the state risk manager in:

1 (a) Adopting rules governing the operation and management of both  
2 individual and joint self-insurance programs covering liability and  
3 property risks;

4 (b) Reviewing and approving the creation of joint self-insurance  
5 programs covering property or liability risks;

6 (c) Reviewing annual reports filed by joint self-insurance programs  
7 covering property and liability risks and recommending that corrective  
8 action be taken by the programs when necessary; and

9 (d) Responding to concerns of the state auditor related to the  
10 management and operation of both individual and joint self-insurance  
11 programs covering liability or property risks.

12 (3) The board shall annually elect a chairman and a vice-chairman  
13 from its members. The board shall meet at least quarterly at such  
14 times as the state risk manager may fix. The board members who are  
15 appointed shall serve without compensation from the state but shall  
16 suffer no loss because of absence from their regular employment.  
17 Members of the board who are not public employees shall be compensated  
18 in accordance with RCW 43.03.240.

19 (4) A majority of the board constitutes a quorum for the  
20 transaction of business.

21 (5) The board shall keep public records of its proceedings.

22 NEW SECTION. **Sec. 5.** (1) The health and welfare advisory  
23 board is created consisting of the insurance commissioner and the state  
24 risk manager, or their designees, as ex officio members and six members  
25 appointed by the governor on the basis of their experience and  
26 knowledge pertaining to local government self-insured health and  
27 welfare benefits programs. The board shall include one city management  
28 representative as recommended by the association of Washington cities;  
29 one county management representative as recommended by the Washington

1 state association of counties; two management representatives from  
2 local government self-insured health and welfare programs; and two  
3 representatives of state-wide employee organizations representing local  
4 government employees.

5 (2) The board shall assist the state risk manager in:

6 (a) Adopting rules governing the operation and management of both  
7 individual and joint self-insured health and welfare benefits programs;

8 (b) Reviewing and approving the creation of both individual and  
9 joint self-insured health and welfare benefits programs;

10 (c) Reviewing annual reports filed by health and welfare benefits  
11 programs and in recommending that corrective action be taken by the  
12 programs when necessary; and

13 (d) Responding to concerns of the state auditor related to the  
14 management and operation of health and welfare benefits programs.

15 (3) The board shall annually elect a chairman and a vice-chairman  
16 from its members. The board shall meet at least quarterly at such  
17 times as the state risk manager may fix. The board members who are  
18 appointed shall serve without compensation from the state but shall  
19 suffer no loss because of absence from their regular employment.  
20 Members of the board who are not public employees shall be compensated  
21 in accordance with RCW 43.03.240.

22 (4) A majority of the board constitutes a quorum for the  
23 transaction of business.

24 (5) The board shall keep public records of its proceedings.

25 NEW SECTION. **Sec. 6.** The state risk manager, in consultation  
26 with the property and liability advisory board, shall adopt rules  
27 governing the management and operation of both individual and joint  
28 local government self-insurance programs covering property or liability  
29 risks. The state risk manager shall also adopt rules governing the

1 management and operation of both individual and joint local government  
2 self-insured health and welfare benefits programs in consultation with  
3 the health and welfare benefits advisory board. All rules shall be  
4 appropriate for the type of program and class of risk covered. The  
5 state risk manager's rules shall include:

6 (1) Standards for the management, operation, and solvency of self-  
7 insurance programs, including the necessity and frequency of actuarial  
8 analyses and claims audits;

9 (2) Standards for claims management procedures; and

10 (3) Standards for contracts between self-insurance programs and  
11 private businesses including standards for contracts between third-  
12 party administrators and programs.

13 NEW SECTION. **Sec. 7.** Before the establishment of a joint  
14 self-insurance program covering property or liability risks by local  
15 government entities, or an individual or joint local government self-  
16 insured health and welfare benefits program, the entity or entities  
17 must obtain the approval of the state risk manager. Risk manager  
18 approval is not required for the establishment of an individual local  
19 government self-insurance program covering property or liability risks.  
20 The entity or entities proposing creation of a self-insurance program  
21 requiring prior approval shall submit a plan of management and  
22 operation to the state risk manager and the state auditor that provides  
23 at least the following information:

24 (1) The risk or risks to be covered, including any coverage  
25 definitions, terms, conditions, and limitations or in the case of  
26 health and welfare benefits programs, the benefits to be provided,  
27 including any benefit definitions, terms, conditions, and limitations;



1           (2) The amount and method of financing the benefits or covered  
2 risks, including the initial capital and proposed rates and projected  
3 premiums;

4           (3) The proposed claim reserving practices;

5           (4) The proposed purchase and maintenance of insurance or  
6 reinsurance in excess of the amounts retained by the self-insurance  
7 program;

8           (5) In the case of a joint program, the legal form of the program,  
9 including but not limited to any bylaws, charter, or trust agreement;

10          (6) In the case of a joint program, the agreements with members of  
11 the program defining the responsibilities and benefits of each member  
12 and management;

13          (7) The proposed accounting, depositing, and investment practices  
14 of the program;

15          (8) The proposed time when actuarial analysis will be first  
16 conducted and the frequency of future actuarial analysis;

17          (9) A designation of the individual upon whom service of process  
18 shall be executed on behalf of the program. In the case of a joint  
19 program, a designation of the individual to whom service of process  
20 shall be forwarded by the risk manager on behalf of the program;

21          (10) All contracts between the program and private persons  
22 providing risk management, claims, or other administrative services;

23          (11) A professional analysis of the feasibility of creation and  
24 maintenance of the program; and

25          (12) Any other information required by rule of the state risk  
26 manager that is necessary to determine the probable financial and  
27 management success of the program or that is necessary to determine  
28 compliance with this chapter.



1 (7) The treasurer of a multistate joint self-insurance program  
2 shall be designated by resolution of the program and such treasurer  
3 shall be located in the state of one of the participating entities;

4 (8) The participating entities may have no contingent liabilities  
5 for covered claims, other than liabilities for unpaid premiums,  
6 retrospective premiums, or assessments, if assets of the program are  
7 insufficient to cover the program's liabilities; and

8 (9) The program shall obtain approval from the state risk manager  
9 in accordance with this chapter and shall remain in compliance with the  
10 provisions of this chapter, except to the extent that such provisions  
11 are modified by or inconsistent with this section.

12 NEW SECTION. **Sec. 9.** (1) Within one hundred twenty days of  
13 receipt of a plan of management and operation, the state risk manager  
14 shall either approve or disapprove the formation of the self-insurance  
15 program after reviewing the plan to determine whether the proposed  
16 program complies with this chapter and all rules adopted in accordance  
17 with this chapter.

18 (2) If the state risk manager denies a request for approval, the  
19 state risk manager shall specify in detail the reasons for denial and  
20 the manner in which the program fails to meet the requirements of this  
21 chapter or any rules adopted in accordance with this chapter.

22 (3) Whenever the state risk manager determines that a joint self-  
23 insurance program covering property or liability risks or an individual  
24 or joint self-insured health and welfare benefits program is in  
25 violation of this chapter or is operating in an unsafe financial  
26 condition, the state risk manager may issue and serve upon the program  
27 an order to cease and desist from the violation or practice.

1 (a) The state risk manager shall deliver the order to the  
2 appropriate entity or entities directly or mail it to the appropriate  
3 entity or entities by registered mail with return receipt requested.

4 (b) If the program violates the order or has not taken steps to  
5 comply with the order after the expiration of twenty days after the  
6 cease and desist order has been received by the program, the program is  
7 deemed to be operating in violation of this chapter, and the state risk  
8 manager shall notify the state auditor and the attorney general of the  
9 violation.

10 (c) After hearing or with the consent of a program governed by this  
11 chapter and in addition to or in lieu of a continuation of the cease  
12 and desist order, the risk manager may levy a fine upon the program in  
13 an amount not less than three hundred dollars and not more than ten  
14 thousand dollars. The order levying such fine shall specify the period  
15 within which the fine shall be fully paid. The period within which  
16 such fines shall be paid shall not be less than fifteen nor more than  
17 thirty days from the date of such order. Upon failure to pay any such  
18 fine when due the risk manager shall request the attorney general to  
19 bring a civil action on the risk manager's behalf to collect the fine.  
20 The risk manager shall pay any fine so collected to the state treasurer  
21 for the account of the general fund.

22 (4) Each self-insurance program approved by the state risk manager  
23 shall annually file a report with the state risk manager and state  
24 auditor providing:

25 (a) Details of any changes in the articles of incorporation,  
26 bylaws, or interlocal agreement;

27 (b) Copies of all the insurance coverage documents;

28 (c) A description of the program structure, including participants'  
29 retention, program retention, and excess insurance limits and  
30 attachment point;

- 1 (d) An actuarial analysis, if required;
- 2 (e) A list of contractors and service providers;
- 3 (f) The financial and loss experience of the program; and
- 4 (g) Such other information as required by rule of the state risk  
5 manager.

6 (5) No self-insurance program requiring the state risk manager's  
7 approval may engage in an act or practice that in any respect  
8 significantly differs from the management and operation plan that  
9 formed the basis for the state risk manager's approval of the program  
10 unless the program first notifies the state risk manager in writing and  
11 obtains the state risk manager's approval. The state risk manager  
12 shall approve or disapprove the proposed change within sixty days of  
13 receipt of the notice. If the state risk manager denies a requested  
14 change, the risk manager shall specify in detail the reasons for denial  
15 and the manner in which the program would fail to meet the requirements  
16 of this chapter or any rules adopted in accordance with this chapter.

17 NEW SECTION. **Sec. 10.** (1) All self-insurance programs governed  
18 by this chapter may provide for executive sessions in accordance with  
19 chapter 42.30 RCW to consider litigation and settlement of claims when  
20 it appears that public discussion of these matters would impair the  
21 program's ability to conduct its business effectively.

22 (2) Notwithstanding any provision to the contrary contained in the  
23 public disclosure act, chapter 42.17 RCW, in a claim or action against  
24 the state or a local government entity, no person is entitled to  
25 discover that portion of any funds or liability reserve established for  
26 purposes of satisfying a claim or cause of action, except that the  
27 reserve is discoverable in a supplemental or ancillary proceeding to  
28 enforce a judgment. All other records of individual or joint self-

1 insurance programs are subject to disclosure in accordance with chapter  
2 42.17 RCW.

3 (3) In accordance with chapter 42.17 RCW, bargaining groups  
4 representing local government employees shall have reasonable access  
5 to information concerning the experience and performance of any health  
6 and welfare benefits program established for the benefit of such  
7 employees.

8 NEW SECTION. **Sec. 11.** (1) The assets of a joint self-insurance  
9 program governed by this chapter may be invested only in accordance  
10 with the general investment authority that participating local  
11 government entities possess as a governmental entity.

12 (2) Except as provided in subsection (3) of this section, a joint  
13 self-insurance program may invest all or a portion of its assets by  
14 depositing the assets with the treasurer of a county within whose  
15 territorial limits any of its member local government entities lie, to  
16 be invested by the treasurer for the joint program.

17 (3) Local government members of a joint self-insurance program may  
18 by resolution of the program designate some other person having  
19 experience in financial or fiscal matters as treasurer of the program,  
20 if that designated treasurer is located in Washington state. The  
21 program shall, unless the program's treasurer is a county treasurer,  
22 require a bond obtained from a surety company authorized to do business  
23 in Washington in an amount and under the terms and conditions that the  
24 program finds will protect against loss arising from mismanagement or  
25 malfeasance in investing and managing program funds. The program may  
26 pay the premium on the bond.

27 All program funds must be paid to the treasurer and shall be  
28 disbursed by the treasurer only on warrants issued by the treasurer or  
29 a person appointed by the program and upon orders or vouchers approved

1 by the program or as authorized under chapters 35A.40 and 42.24 RCW.  
2 The treasurer shall establish a program account, into which shall be  
3 recorded all program funds, and the treasurer shall maintain such  
4 special accounts as may be created by the program into which the  
5 treasurer shall record all money as the program may direct by  
6 resolution.

7 (4) The treasurer of the joint program shall deposit all program  
8 funds in a qualified public depository or depositories as defined in  
9 RCW 39.58.010(2) and under the same restrictions, contracts, and  
10 security as provided for any participating local government entity, and  
11 such depository shall be designated by resolution of the program.

12 (5) All interest and earnings collected on joint program funds  
13 belong to the program and must be deposited to the program's credit in  
14 the proper program account.

15 (6) A joint program may require a reasonable bond from any person  
16 handling money or securities of the program and may pay the premium for  
17 the bond.

18 (7) Subsections (3) and (4) of this section do not apply to a  
19 multistate joint self-insurance program governed by section 8 of this  
20 act.

21 NEW SECTION. **Sec. 12.** (1) No employee or official of a local  
22 government entity may directly or indirectly receive anything of value  
23 for services rendered in connection with the operation and management  
24 of a self-insurance program other than the salary and benefits provided  
25 by his or her employer or the reimbursement of expenses reasonably  
26 incurred in furtherance of the operation or management of the program.  
27 No employee or official of a local government entity may accept or  
28 solicit anything of value for personal benefit or for the benefit of  
29 others under circumstances in which it can be reasonably inferred that

1 the employee's or official's independence of judgment is impaired with  
2 respect to the management and operation of the program.

3 (2) No local government entity may participate in a joint self-  
4 insurance program in which local government entities do not retain  
5 complete governing control. This prohibition does not apply to local  
6 government contribution to a self-insured employee health and welfare  
7 benefits plan otherwise authorized and governed by state statute nor to  
8 local government participation in a multistate joint program where  
9 control is shared with local government entities from other states.

10 (3) Moneys made available and moneys expended by school districts  
11 and educational service districts for self-insurance under this chapter  
12 are subject to such rules of the superintendent of public instruction  
13 as the superintendent may adopt governing budgeting and accounting.  
14 However, the superintendent shall ensure that the rules are consistent  
15 with those adopted by the state risk manager for the management and  
16 operation of self-insurance programs.

17 (4) RCW 48.30.140, 48.30.150, 48.30.155, and 48.30.157 apply to the  
18 use of agents and brokers by local government self-insurance programs.

19 (5) Every individual and joint local government self-insured health  
20 and welfare benefits program that provides comprehensive coverage for  
21 health care services shall include mandated benefits that the state  
22 health care authority is required to provide under RCW 41.05.170 and  
23 41.05.180. The state risk manager may adopt rules identifying the  
24 mandated benefits.

25 NEW SECTION. **Sec. 13.** Every local government entity that has  
26 established a self-insurance program not subject to the prior approval  
27 requirements of this chapter shall provide written notice to the state  
28 auditor of the existence of the program. The notice must identify the  
29 manager of the program and the class or classes of risk self-insured.



1 The notice must also identify all investments and distribution of  
2 assets of the program, the current depository of assets and the  
3 program's designation of asset depository and investment agent as  
4 required by section 11 of this act. In addition, the local government  
5 entity shall notify the state auditor whenever the program covers a new  
6 class of risk or discontinues the self-insurance of a class of risk.

7 NEW SECTION. **Sec. 14.** Every joint self-insurance program  
8 covering liability or property risks shall provide for the contingent  
9 liability of participants in the program if assets of the program are  
10 insufficient to cover the program's liabilities, unless coverage in the  
11 joint program is expressly limited to the available assets of the  
12 program and the limitation is expressly acknowledged or agreed upon by  
13 the local government entities.

14 NEW SECTION. **Sec. 15.** A joint self-insurance program approved  
15 in accordance with this chapter is exempt from insurance premium taxes,  
16 from fees assessed under chapter 48.02 RCW, from chapters 48.32 and  
17 48.32A RCW, from business and occupations taxes imposed under chapter  
18 82.04 RCW, and from any assigned risk plan or joint underwriting  
19 association otherwise required by law. This section does not apply to  
20 and no exemption is provided for insurance companies issuing policies  
21 to cover program risks.

22 NEW SECTION. **Sec. 16.** (1) The state risk manager shall  
23 establish and charge an investigation fee in an amount necessary to  
24 cover the costs for the initial review and approval of a self-insurance  
25 program. The fee must accompany the initial submission of the plan of  
26 operation and management.

1 (2) The costs of subsequent reviews and investigations shall be  
2 charged to the self-insurance program being reviewed or investigated in  
3 accordance with the actual time and expenses incurred in the review or  
4 investigation.

5 (3) After the formation of the two advisory boards, each board may  
6 calculate, levy, and collect from each joint property and liability  
7 self-insurance program and each individual and joint health and welfare  
8 benefit program regulated by this chapter a start-up assessment to pay  
9 initial expenses and operating costs of the boards and the risk  
10 manager's office in administering this chapter. Any program failing to  
11 remit its assessment when due is subject to denial of permission to  
12 operate or to a cease and desist order until the assessment is paid.

13 NEW SECTION. **Sec. 17.** (1) Any person who files reports or  
14 furnishes other information required under Title 48 RCW, required by  
15 the risk manager or the state auditor under authority granted by Title  
16 48 RCW, or which is useful to the risk manager or the state auditor in  
17 the administration of Title 48 RCW, shall be immune from liability in  
18 any civil action or suit arising from the filing of any such report or  
19 furnishing such information to the risk manager or to the state  
20 auditor, unless actual malice, fraud, or bad faith is shown.

21 (2) The risk manager and the state auditor, and the agents and  
22 employees of each, are immune from liability in any civil action or  
23 suit arising from the publication of any report or bulletins or arising  
24 from dissemination of information related to the official activities of  
25 the risk manager, the advisory boards, or the state auditor, unless  
26 actual malice, fraud, or bad faith is shown.

27 (3) The immunity granted by this section is in addition to any  
28 common law or statutory privilege or immunity enjoyed by such person,

1 and nothing in this section is intended to abrogate or modify in any  
2 way such common law or statutory privilege or immunity.

3 **Sec. 18.** RCW 41.04.180 and 1974 ex.s. c 82 s 1 are each amended to  
4 read as follows:

5 Any county, municipality, or other political subdivision of the  
6 state acting through its principal supervising official or governing  
7 body may, whenever funds shall be available for that purpose provide  
8 for all or a part of hospitalization and medical aid for its employees  
9 and their dependents through contracts with regularly constituted  
10 insurance carriers or with health care service contractors as defined  
11 in chapter 48.44 RCW or self-insurers as provided for in chapter  
12 ((48.52)) 48.62 RCW, for group hospitalization and medical aid policies  
13 or plans: PROVIDED, That any county, municipality, or other political  
14 subdivision of the state acting through its principal supervising  
15 official or governing body shall provide the employees thereof a choice  
16 of policies or plans through contracts with not less than two regularly  
17 constituted insurance carriers or health care service contractors or  
18 other health care plans, including but not limited to, trusts of self-  
19 insurance as provided for in chapter ((48.52)) 48.62 RCW: AND PROVIDED  
20 FURTHER, That any county may provide such hospitalization and medical  
21 aid to county elected officials and their dependents on the same basis  
22 as such hospitalization and medical aid is provided to other county  
23 employees and their dependents: PROVIDED FURTHER, That provision for  
24 school district personnel shall not be made under this section but  
25 shall be as provided for in RCW 28A.400.350.

26 **Sec. 19.** RCW 35.23.460 and 1965 c 7 s 35.23.460 are each amended  
27 to read as follows:

1        Subject to chapter 48.62 RCW, any city of the second or third class  
2 or town may contract with an insurance company authorized to do  
3 business in this state to provide group insurance for its employees  
4 including group false arrest insurance for its law enforcement  
5 personnel, and pursuant thereto may use a portion of its revenues to  
6 pay an employer's portion of the premium for such insurance, and may  
7 make deductions from the payrolls of employees for the amount of the  
8 employees' contribution and may apply the amount deducted in payment of  
9 the employees' portion of the premium.

10        **Sec. 20.** RCW 35A.41.020 and 1983 c 3 s 66 are each amended to read  
11 as follows:

12        Except as otherwise provided in this title, the general provisions  
13 relating to public employment, including hospitalization and medical  
14 aid as provided in chapter 41.04 RCW, and the application of federal  
15 social security for public employees, the acceptance of old age and  
16 survivors insurance as provided in chapters 41.47 and 41.48 RCW,  
17 military leave as provided in RCW 38.40.060, self-insurance as provided  
18 in chapter 48.62 RCW, the application of industrial insurance as  
19 provided in Title 51 RCW, and chapter 43.101 RCW relating to training  
20 of law enforcement officers, shall apply to code cities. Any code city  
21 may retain any civil service system theretofore in effect in such city  
22 and may adopt any system of civil service which would be available to  
23 any class of city under general law.

24        **Sec. 21.** RCW 36.32.400 and 1975-'76 2nd ex.s. c 106 s 7 are each  
25 amended to read as follows:

26        Subject to chapter 48.62 RCW, any county by a majority vote of its  
27 board of county commissioners may enter into contracts to provide  
28 health care services and/or group insurance for the benefit of its

1 employees, and may pay all or any part of the cost thereof. Any two or  
2 more counties, by a majority vote of their respective boards of county  
3 commissioners may, if deemed expedient, join in the procuring of such  
4 health care services and/or group insurance, and the board of county  
5 commissioners of each participating county may, by appropriate  
6 resolution, authorize their respective counties to pay all or any  
7 portion of the cost thereof.

8 Nothing in this section shall impair the eligibility of any  
9 employee of a county, municipality, or other political subdivision  
10 under RCW 41.04.205.

11 **Sec. 22.** RCW 53.08.170 and 1987 c 50 s 1 are each amended to read  
12 as follows:

13 The port commission shall have authority to create and fill  
14 positions, to fix wages, salaries and bonds thereof, to pay costs and  
15 assessments involved in securing or arranging to secure employees, and  
16 to establish such benefits for employees, including holiday pay,  
17 vacations or vacation pay, retirement and pension benefits, medical,  
18 surgical or hospital care, life, accident, or health disability  
19 insurance, and similar benefits, already established by other employers  
20 of similar employees, as the port commissioner shall by resolution  
21 provide: PROVIDED, That any district providing insurance benefits for  
22 its employees in any manner whatsoever may provide health and accident  
23 insurance, life insurance with coverage not to exceed that provided  
24 district employees, and business related travel, liability, and errors  
25 and omissions insurance, for its commissioners, which insurance shall  
26 not be considered to be compensation.

27 Subject to chapter 48.62 RCW, the port commission shall have  
28 authority to provide or pay such benefits directly, or to provide for  
29 such benefits by the purchase of insurance policies or entering into

1 contracts with and compensating any person, firm, agency or  
2 organization furnishing such benefits, or by making contributions to  
3 vacation plans or funds, or health and welfare plans and funds, or  
4 pension plans or funds, or similar plans or funds, already established  
5 by other employers of similar employees and in which the port district  
6 is permitted to participate for particular classifications of its  
7 employees by the trustees or other persons responsible for the  
8 administration of such established plans or funds: PROVIDED FURTHER,  
9 That no port district employee shall be allowed to apply for admission  
10 to or be accepted as a member of the state employees' retirement system  
11 after January 1, 1965, if admission to such system would result in  
12 coverage under both a private pension system and the state employees'  
13 retirement system, it being the purpose of this proviso that port  
14 districts shall not at the same time contribute for any employee to  
15 both a private pension or retirement plan and to the state employees'  
16 retirement system. The port commission shall have authority by  
17 resolution to utilize and compensate agents for the purpose of paying,  
18 in the name and by the check of such agent or agents or otherwise,  
19 wages, salaries and other benefits to employees, or particular  
20 classifications thereof, and for the purpose of withholding payroll  
21 taxes and paying over tax moneys so withheld to appropriate government  
22 agencies, on a combined basis with the wages, salaries, benefits, or  
23 taxes of other employers or otherwise; to enter into such contracts and  
24 arrangements with and to transfer by warrant such funds from time to  
25 time to any such agent or agents so appointed as are necessary to  
26 accomplish such salary, wage, benefit, or tax payments as though the  
27 port district were a private employer, notwithstanding any other  
28 provision of the law to the contrary. The funds of a port district  
29 transferred to such an agent or agents for the payment of wages or  
30 salaries of its employees in the name or by the check of such agent or

1 agents shall be subject to garnishment with respect to salaries or  
2 wages so paid, notwithstanding any provision of the law relating to  
3 municipal corporations to the contrary.

4 **Sec. 23.** RCW 54.04.050 and 1984 c 15 s 1 are each amended to read  
5 as follows:

6 (1) Subject to chapter 48.62 RCW, any public utility district  
7 engaged in the operation of electric or water utilities may enter into  
8 contracts of group insurance for the benefit of its employees, and pay  
9 all or any part of the premiums for such insurance. Such premiums  
10 shall be paid out of the revenues derived from the operation of such  
11 properties: PROVIDED, That if the premium is to be paid by the  
12 district and employees jointly, and the benefits of the policy are  
13 offered to all eligible employees, not less than seventy-five percent  
14 of such employees may be so insured.

15 (2) A public utility district whose employees or officials are not  
16 members of the state retirement system engaged in the operation of  
17 electric or water utilities may contract for individual annuity  
18 contracts, retirement income policies or group annuity contracts,  
19 including prior service, to provide a retirement plan, or any one or  
20 more of them, and pay all or any part of the premiums therefor out of  
21 the revenue derived from the operation of its properties.

22 **Sec. 24.** RCW 56.08.100 and 1991 c 82 s 1 are each amended to read  
23 as follows:

24 Subject to chapter 48.62 RCW, a sewer district, by a majority vote  
25 of its board of commissioners, may enter into contracts to provide  
26 health care services and/or group insurance and/or term life insurance  
27 and/or social security insurance for the benefit of its employees and  
28 may pay all or any part of the cost thereof. Any two or more sewer

1 districts or one or more sewer districts and one or more water  
2 districts, by a majority vote of their respective boards of  
3 commissioners, may, if deemed expedient, join in the procuring of such  
4 health care services and/or group insurance and/or term life insurance,  
5 and the board of commissioners of each participating sewer and/or water  
6 district may by appropriate resolution authorize their respective  
7 district to pay all or any portion of the cost thereof.

8 A sewer district with five thousand or more customers providing  
9 health, group, or life insurance to its employees may provide its  
10 commissioners with the same coverage: PROVIDED, That the per person  
11 amounts for such insurance paid by the district shall not exceed the  
12 per person amounts paid by the district for its employees.

13 **Sec. 25.** RCW 57.08.100 and 1991 c 82 s 5 are each amended to read  
14 as follows:

15 Subject to chapter 48.62 RCW, a water district, by a majority vote  
16 of its board of commissioners, may enter into contracts to provide  
17 health care services and/or group insurance and/or term life insurance  
18 and/or social security insurance for the benefit of its employees and  
19 may pay all or any part of the cost thereof. Any two or more water  
20 districts or any one or more water districts and one or more sewer  
21 districts, by a majority vote of their respective boards of  
22 commissioners, may, if deemed expedient, join in the procuring of such  
23 health care services and/or group insurance and/or term life insurance,  
24 and the board of commissioners of each participating sewer and/or water  
25 district may by appropriate resolution authorize their respective  
26 district to pay all or any portion of the cost thereof.

27 A water district with five thousand or more customers providing  
28 health, group, or life insurance to its employees may provide its  
29 commissioners with the same coverage: PROVIDED, That the per person



1 amounts for such insurance paid by the district shall not exceed the  
2 per person amounts paid by the district for its employees.

3 **Sec. 26.** RCW 43.09.260 and 1979 c 71 s 1 are each amended to read  
4 as follows:

5 The state auditor, the chief examiner, and every state examiner  
6 shall have power by himself or herself or by any person legally  
7 appointed to perform the service, to examine into all financial affairs  
8 of every public office and officer.

9 The examination of the financial affairs of all taxing districts  
10 shall be made at such reasonable, periodic intervals as the state  
11 auditor shall determine. However, an examination of the financial  
12 affairs of all taxing districts shall be made at least once in every  
13 three years, and an examination of individual local government health  
14 and welfare benefit plans and joint local government self-insurance  
15 programs shall be made at least once every two years. The term "taxing  
16 districts" for purposes of RCW 43.09.190 through 43.09.285 includes but  
17 is not limited to all counties, cities, and other political  
18 subdivisions, municipal corporations, and quasi-municipal corporations,  
19 however denominated.

20 The state auditor shall establish a schedule to govern the auditing  
21 of taxing districts which shall include: A designation of the various  
22 classifications of taxing districts; a designation of the frequency for  
23 auditing each type of taxing district; and a description of events  
24 which cause a more frequent audit to be conducted.

25 On every such examination, inquiry shall be made as to the  
26 financial condition and resources of the taxing district; whether the  
27 Constitution and laws of the state, the ordinances and orders of the  
28 taxing district, and the requirements of the division of municipal

1 corporations have been properly complied with; and into the methods and  
2 accuracy of the accounts and reports.

3 The state auditor, his or her deputies, every state examiner and  
4 every person legally appointed to perform such service, may issue  
5 subpoenas and compulsory process and direct the service thereof by any  
6 constable or sheriff, compel the attendance of witnesses and the  
7 production of books and papers before him or her at any designated time  
8 and place, and may administer oaths.

9 When any person summoned to appear and give testimony neglects or  
10 refuses so to do, or neglects or refuses to answer any question that  
11 may be put to him or her touching any matter under examination, or to  
12 produce any books or papers required, the person making such  
13 examination shall apply to a superior court judge of the proper county  
14 to issue a subpoena for the appearance of such person before him or  
15 her; and the judge shall order the issuance of a subpoena for the  
16 appearance of such person forthwith before him to give testimony; and  
17 if any person so summoned fails to appear, or appearing, refuses to  
18 testify, or to produce any books or papers required, he or she shall be  
19 subject to like proceedings and penalties for contempt as witnesses in  
20 the superior court. Willful false swearing in any such examination  
21 shall be perjury and punishable as such.

22 A report of such examination shall be made in triplicate, one copy  
23 to be filed in the office of the state auditor, one in the auditing  
24 department of the taxing district reported upon, and one in the office  
25 of the attorney general. If any such report discloses malfeasance,  
26 misfeasance, or nonfeasance in office on the part of any public officer  
27 or employee, within thirty days from the receipt of his copy of the  
28 report, the attorney general shall institute, in the proper county,  
29 such legal action as is proper in the premises by civil process and

1 prosecute the same to final determination to carry into effect the  
2 findings of the examination.

3       It shall be unlawful for the county commissioners or any board or  
4 officer to make a settlement or compromise of any claim arising out of  
5 such malfeasance, misfeasance, or nonfeasance, or any action commenced  
6 therefor, or for any court to enter upon any compromise or settlement  
7 of such action, without the written approval and consent of the  
8 attorney general and the state auditor.

9       **Sec. 27.** RCW 39.58.080 and 1986 c 160 s 1 are each amended to read  
10 as follows:

11       Except for funds deposited pursuant to a fiscal agency contract  
12 with the state fiscal agent or its correspondent bank, and funds  
13 deposited pursuant to a local government multistate joint self-  
14 insurance program as provided in section 8 of this act, no public funds  
15 shall be deposited in demand or investment deposits except in a  
16 qualified public depository located in this state or as otherwise  
17 expressly permitted by statute: PROVIDED, That the commission, upon  
18 good cause shown, may authorize a treasurer to maintain a demand  
19 deposit account with a banking institution located outside the state of  
20 Washington solely for the purpose of transmitting money received to  
21 financial institutions in the state of Washington for deposit for such  
22 time and upon such terms and conditions as the commission deems  
23 appropriate.

24       **Sec. 28.** RCW 4.28.080 and 1987 c 361 s 1 are each amended to read  
25 as follows:

26       The summons shall be served by delivering a copy thereof, as  
27 follows:

1 (1) If the action be against any county in this state, to the  
2 county auditor or, during normal office hours, to the deputy auditor,  
3 or in the case of a charter county, summons may be served upon the  
4 agent, if any, designated by the legislative authority.

5 (2) If against any town or incorporated city in the state, to the  
6 mayor, city manager, or, during normal office hours, to the mayor's or  
7 city manager's designated agent or the city clerk thereof.

8 (3) If against a school or fire district, to the superintendent or  
9 commissioner thereof or by leaving the same in his or her office with  
10 an assistant superintendent, deputy commissioner, or business manager  
11 during normal business hours.

12 (4) If against a railroad corporation, to any station, freight,  
13 ticket or other agent thereof within this state.

14 (5) If against a corporation owning or operating sleeping cars, or  
15 hotel cars, to any person having charge of any of its cars or any agent  
16 found within the state.

17 (6) If against a domestic insurance company, to any agent  
18 authorized by such company to solicit insurance within this state.

19 (7) If against a foreign or alien insurance company, as provided in  
20 chapter 48.05 RCW.

21 (8) If against a company or corporation doing any express business,  
22 to any agent authorized by said company or corporation to receive and  
23 deliver express matters and collect pay therefor within this state.

24 (9) If the suit be against a company or corporation other than  
25 those designated in the preceding subdivisions of this section, to the  
26 president or other head of the company or corporation, the registered  
27 agent, secretary, cashier or managing agent thereof or to the  
28 secretary, stenographer or office assistant of the president or other  
29 head of the company or corporation, registered agent, secretary,  
30 cashier or managing agent.

1 (10) If the suit be against a foreign corporation or nonresident  
2 joint stock company, partnership or association doing business within  
3 this state, to any agent, cashier or secretary thereof.

4 (11) If against a minor under the age of fourteen years, to such  
5 minor personally, and also to his father, mother, guardian, or if there  
6 be none within this state, then to any person having the care or  
7 control of such minor, or with whom he resides, or in whose service he  
8 is employed, if such there be.

9 (12) If against any person for whom a guardian has been appointed  
10 for any cause, then to such guardian.

11 (13) If against a foreign or alien steamship company or steamship  
12 charterer, to any agent authorized by such company or charterer to  
13 solicit cargo or passengers for transportation to or from ports in the  
14 state of Washington.

15 (14) If against a joint self-insurance program regulated by chapter  
16 48.62 RCW, as provided in chapter 48.62 RCW.

17 (15) In all other cases, to the defendant personally, or by leaving  
18 a copy of the summons at the house of his usual abode with some person  
19 of suitable age and discretion then resident therein.

20 Service made in the modes provided in this section shall be taken  
21 and held to be personal service.

22 NEW SECTION. Sec. 29. Sections 1 through 17 of this act shall  
23 be added to chapter 48.62 RCW.

24 NEW SECTION. Sec. 30. (1) This act shall take effect January  
25 1, 1992, but the state risk manager shall take all steps necessary to  
26 implement this act on its effective date.

27 (2) Every individual local government self-insured employee health  
28 and welfare plan and joint self-insurance program that has been in

1 continuous operation for at least one year before the effective date of  
2 this act need not obtain approval to continue operations until January  
3 1, 1993, but must comply with all other provisions of this act.

4 (3) Local government entity authority to self-insure employee  
5 health and welfare benefits applies retroactively to 1979.

6 NEW SECTION. **Sec. 31.** All rules adopted by the superintendent  
7 of public instruction by the effective date of this act that apply to  
8 self-insurance programs of educational service districts remain in  
9 effect until expressly amended, repealed, or superseded by the state  
10 risk manager or the state health care authority.

11 NEW SECTION. **Sec. 32.** If any provision of this act or its  
12 application to any person or circumstance is held invalid, the  
13 remainder of the act or the application of the provision to other  
14 persons or circumstances is not affected.

15 NEW SECTION. **Sec. 33.** The following acts or parts of acts are  
16 each repealed:

17 (1) RCW 48.62.010 and 1985 c 277 s 1 & 1979 ex.s. c 256 s 1;

18 (2) RCW 48.62.020 and 1979 ex.s. c 256 s 2;

19 (3) RCW 48.62.030 and 1985 c 277 s 2, 1983 c 59 s 17, & 1979 ex.s.  
20 c 256 s 3;

21 (4) RCW 48.62.035 and 1985 c 277 s 3;

22 (5) RCW 48.62.040 and 1986 c 302 s 1, 1985 c 278 s 1, & 1979 ex.s.  
23 c 256 s 4;

24 (6) RCW 48.62.050 and 1989 c 175 s 114 & 1979 ex.s. c 256 s 5;

25 (7) RCW 48.62.060 and 1979 ex.s. c 256 s 6;

26 (8) RCW 48.62.070 and 1988 c 281 s 4, 1985 c 277 s 4, & 1979 ex.s.  
27 c 256 s 7;

- 1 (9) RCW 48.62.080 and 1985 c 277 s 5 & 1979 ex.s. c 256 s 8;
- 2 (10) RCW 48.62.090 and 1979 ex.s. c 256 s 9;
- 3 (11) RCW 48.62.100 and 1985 c 277 s 6 & 1979 ex.s. c 256 s 10;
- 4 (12) RCW 48.62.110 and 1985 c 277 s 7 & 1979 ex.s. c 256 s 11; and
- 5 (13) RCW 48.62.120 and 1979 ex.s. c 256 s 12.