

# HOUSE BILL REPORT

## HB 2513

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

**Title:** An act relating to employers failure to pay industrial insurance premiums.

**Brief Description:** Concerning industrial insurance benefits.

**Sponsors:** Representatives Lisk, Hargrove and McMorris.

**Brief History:**

**Committee Activity:**

Commerce & Labor: 1/25/96, 2/1/96 [DPS].

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives McMorris, Chairman; Hargrove, Vice Chairman; Thompson, Vice Chairman; Romero, Ranking Minority Member; Conway, Assistant Ranking Minority Member; Cairnes; Cody; Cole; Fuhrman; Goldsmith; Horn and Lisk.

**Staff:** Chris Cordes (786-7117).

**Background:** The industrial insurance law provides medical benefits, compensation for lost wages, and vocational services, as appropriate, to any worker in a covered occupation who is injured in the course of his or her employment or who incurs an occupational disease.

Covered employers must either be insured with the state fund administered by the Department of Labor and Industries or self-insured. Employers who do not insure their workers are subject to a maximum penalty of \$500 or double the amount of premiums that were incurred before coverage was obtained. If the employer willfully fails to obtain coverage, the employer is guilty of a misdemeanor, with a fine of \$25 to \$100 for each day of violation. An employer is also liable for a penalty of 50 percent to 100 percent of the cost of benefits paid to a worker who is injured before coverage is obtained.

When a worker is injured on the job, and his or her employer has not obtained industrial insurance, the worker receives benefits, and the department attempts to

secure premiums and penalties against the employer. Any costs not recovered become a cost to all employers in the risk classification of the injured worker.

**Summary of Substitute Bill:** The Legislature finds a continuing problem with employers who illegally fail to pay industrial insurance premiums. This problem results in passing the cost of benefits provided to injured workers of these uninsured employers to insured employers in the risk classification. The Legislature intends that a method be devised to place this financial burden on the illegally uninsured employer.

To find a method, a legislative joint task force is created to review and make recommendations. The task force is composed of eight members, one legislator from each caucus of the Senate Labor, Commerce & Trade Committee, one legislator from each caucus of the House Commerce & Labor Committee, two representatives of business, and two representatives of labor. The Department of Labor and Industries is directed to cooperate with the task force and maintain a liaison.

The task force must report its findings and recommendations to the appropriate legislative committees by December 1, 1996. The task force expires June 1, 1997.

**Substitute Bill Compared to Original Bill:** The substitute bill strikes the provisions in the original bill that provided for reduced worker benefits and the charging of expenses to the employer when the employer had failed to obtain industrial insurance coverage for an injured worker. Instead, the substitute creates a legislative task force to review the issues and make recommendations to the Legislature.

**Appropriation:** None.

**Fiscal Note:** Available on original bill.

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

**Testimony For:** (Original bill) Something needs to be done to get employees to refuse to work for employers who are not paying for industrial insurance. This bill introduces personal accountability into the system by subjecting workers to the risk of losing benefits if they work for these employers. This approach is just one of many fronts to attack the problem of uncovered employers, especially unregistered contractors.

**Testimony Against:** (Original bill) The problem of employers not covering their workers for industrial insurance is a major problem that needs a solution. But the solution must be found with cooperation not confrontation. This bill puts the burden on the employee, not the employer, by reducing employee benefits. It would apply to

an innocent employee who had no idea that the employer was not obtaining coverage. The issue should be studied in the context of all of the problems surrounding the underground economy in the construction industry.

**Testified:** (In favor of original bill) Tom Kwesiak, Building Industry Association of Washington. (Opposed to original bill) Allan Darr, International Union of Operating Engineers; and Bob Dilger, Washington State Building and Construction Trades Council.