

SENATE BILL REPORT

SHB 2705

As Reported By Senate Committee On:
Commerce & Labor, February 27, 1998

Title: An act relating to extending existing employer workers' compensation group self-insurance to the logging industry.

Brief Description: Extending existing employer workers' compensation group self-insurance.

Sponsors: House Committee on Commerce & Labor (originally sponsored by Representatives McMorris, Kessler, Hatfield, Doumit, Linville, Buck, Dyer and Gardner).

Brief History:

Committee Activity: Commerce & Labor: 2/26/98, 2/27/98 [DPA, DNP].

SENATE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass as amended.

Signed by Senators Schow, Chair; Horn, Vice Chair; Anderson and Newhouse.

Minority Report: Do not pass.

Signed by Senators Franklin and Fraser.

Staff: Jack Brummel (786-7428)

Background: Employers covered by Washington's industrial insurance law must either self-insure or purchase insurance from the Department of Labor and Industries. To self-insure, an employer must meet certain qualifications, including demonstrating sufficient financial ability to secure the payment of industrial insurance benefits. Self-insurance groups are permitted only for employers that are school districts, educational service districts, or hospital districts.

Group self-insurers operate under department rules that address requirements for formation of and membership in the group, responsibilities of the group's trust fund trustees, and the amount of reserves that must be maintained to assure financial solvency of the group. Group self-insurers are considered employers— subject to the same regulation as other self-insurers. All self-insurers, except school districts, cities, and counties, participate in a self-insurance insolvency trust.

Summary of Amended Bill: Two or more employers in the logging industry may form self-insurance groups to cover their industrial insurance responsibilities if:

- (1) the employers are members of an organization that has been in existence for at least five years; was formed for a purpose other than that of obtaining workers' compensation coverage under group self-insurance; and has, as members, employers with substantially similar occupations within the logging industry;

- (2) the organization permits any employer in the logging industry to join the organization, and permits any of its members in the logging industry to join the self-insurance group; and
- (3) the formation of the group self-insurance program will improve accident prevention and claim management for the employers.

These self-insurance groups are "employers" subject to regulation as self-insurers, except for purposes of the existing self-insurance insolvency trust.

A group self-insurers' insolvency trust account is created to provide for the unsecured benefits paid to injured workers of defaulting group self-insurers. The account is funded by post-insolvency assessments against all group self-insurers, except school districts and hospitals, in proportion to their claim costs, after the defaulting group's security deposit has been exhausted.

Amended Bill Compared to Substitute Bill: Educational service districts and hospital districts are not subject to the insolvency assessments provided for in the bill.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: It costs the average logging employer \$13,000 per year per employee. The department has been unresponsive and has too few claims managers. The bill provides for strong excess insurance coverage. Employers deserve lower rates.

Testimony Against: There is concern over the financial ability of the industry to cover obligations in the event of default. The pooling of assets and other opportunities exist in the retrospective rating program. Smaller employers in a group would not have the capacity to reduce claim costs like large self-insurers. Why do this bill until we get the performance audit back on the department?

Testified: Bill Pickell, WA Contract Logging Association (pro); Doug Connel, L&I (con); Robby Stern, WA State Labor Council (con); Allen Darr, Operating Engineers, Building and Construction Trades Council (con); Michael Temple, WA State Trial Lawyers Association (con).