

CERTIFICATION OF ENROLLMENT

HOUSE BILL 1330

55th Legislature
1997 Regular Session

Passed by the House April 22, 1997
Yeas 54 Nays 42

**Speaker of the
House of Representatives**

Passed by the Senate April 14, 1997
Yeas 29 Nays 19

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Timothy A. Martin, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 1330** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

**Secretary of State
State of Washington**

HOUSE BILL 1330

Passed Legislature - 1997 Regular Session

AS AMENDED BY THE SENATE

State of Washington 55th Legislature 1997 Regular Session

By Representatives L. Thomas, Grant, Zellinsky, Sheldon and Mielke

Read first time 01/22/97. Referred to Committee on Financial
Institutions & Insurance.

1 AN ACT Relating to administration of the responsibilities of self-
2 insurers; amending RCW 51.14.020; adding a new section to chapter 51.14
3 RCW; and providing an expiration date.

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

5 **Sec. 1.** RCW 51.14.020 and 1995 c 31 s 1 are each amended to read
6 as follows:

7 (1) An employer may qualify as a self-insurer by establishing to
8 the director's satisfaction that he or she has sufficient financial
9 ability to make certain the prompt payment of all compensation under
10 this title and all assessments which may become due from such employer.
11 Each application for certification as a self-insurer submitted by an
12 employer shall be accompanied by payment of a fee of one hundred fifty
13 dollars or such larger sum as the director shall find necessary for the
14 administrative costs of evaluation of the applicant's qualifications.
15 Any employer who has formerly been certified as a self-insurer and
16 thereafter ceases to be so certified may not apply for certification
17 within three years of ceasing to have been so certified.

18 (2)(a) A self-insurer may be required by the director to supplement
19 existing financial ability by depositing in an escrow account in a

1 depository designated by the director, money and/or corporate or
2 governmental securities approved by the director, or a surety bond
3 written by any company admitted to transact surety business in this
4 state, or provide an irrevocable letter of credit issued by a federally
5 or state chartered commercial banking institution authorized to conduct
6 business in the state of Washington filed with the department. The
7 money, securities, bond, or letter of credit shall be in an amount
8 reasonably sufficient in the director's discretion to insure payment of
9 reasonably foreseeable compensation and assessments but not less than
10 the employer's normal expected annual claim liabilities and in no event
11 less than one hundred thousand dollars. In arriving at the amount of
12 money, securities, bond, or letter of credit required under this
13 subsection, the director shall take into consideration the financial
14 ability of the employer to pay compensation and assessments and his or
15 her probable continuity of operation. However, a letter of credit
16 shall be acceptable only if the self-insurer has a net worth of not
17 less than five hundred million dollars as evidenced in an annual
18 financial statement prepared by a qualified, independent auditor using
19 generally accepted accounting principles. The money, securities, bond,
20 or letter of credit so deposited shall be held by the director solely
21 for the payment of compensation by the self-insurer and his or her
22 assessments. In the event of default the self-insurer loses all right
23 and title to, any interest in, and any right to control the surety.
24 The amount of surety may be increased or decreased from time to time by
25 the director. The income from any securities deposited may be
26 distributed currently to the self-insurer.

27 (b) The letter of credit option authorized in (a) of this
28 subsection shall not apply to self-insurers authorized under RCW
29 51.14.150 or to self-insurers who are counties, cities, or municipal
30 corporations.

31 (3) Securities or money deposited by an employer pursuant to
32 subsection (2) of this section shall be returned to him or her upon his
33 or her written request provided the employer files the bond required by
34 such subsection.

35 (4) If the employer seeking to qualify as a self-insurer has
36 previously insured with the state fund, the director shall require the
37 employer to make up his or her proper share of any deficit or
38 insufficiency in the state fund as a condition to certification as a
39 self-insurer.

1 (5) A self-insurer may reinsure a portion of his or her liability
2 under this title with any reinsurer authorized to transact such
3 reinsurance in this state: PROVIDED, That the reinsurer may not
4 participate in the administration of the responsibilities of the self-
5 insurer under this title. Until July 1, 2001, subsidiary companies,
6 holding companies, or affiliated legal entities of the reinsurer not
7 involved in providing reinsurance shall be allowed to participate in
8 the administration of the responsibilities of the self-insurer under
9 this title. Such reinsurance may not exceed eighty percent of the
10 liabilities under this title.

11 (6) For purposes of the application of this section, the department
12 may adopt separate rules establishing the security requirements
13 applicable to units of local government. In setting such requirements,
14 the department shall take into consideration the ability of the
15 governmental unit to meet its self-insured obligations, such as but not
16 limited to source of funds, permanency, and right of default.

17 (7) The director shall adopt rules to carry out the purposes of
18 this section including, but not limited to, rules respecting the terms
19 and conditions of letters of credit and the establishment of the
20 appropriate level of net worth of the self-insurer to qualify for use
21 of the letter of credit. Only letters of credit issued in strict
22 compliance with the rules shall be deemed acceptable.

23 NEW SECTION. Sec. 2. A new section is added to chapter 51.14 RCW
24 to read as follows:

25 (1) Self-insurers shall report to the department any attempt by a
26 reinsurer to participate in the administration of the responsibilities
27 of the self-insurer under this title.

28 (2) The department shall conduct a study of self-insurers'
29 adjudication outcomes, claims management practices, and other
30 appropriate outcomes and practices. The study shall compare outcomes
31 and practices of self-insurers who use the services of reinsurers and
32 administrators that are affiliated to those of self-insurers who use
33 the services of unaffiliated reinsurers and administrators, as well as
34 to the outcomes and practices of the department. The department shall
35 report the results of the study to the legislature by January 1, 2000.

36 (3) The department shall adopt rules to implement this act.

1 (4) This section expires July 1, 2001.

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