
SUBSTITUTE SENATE BILL 5259

State of Washington

55th Legislature

1997 Regular Session

By Senate Committee on Commerce & Labor (originally sponsored by Senators Anderson, Schow, West and Newhouse)

Read first time 02/20/97.

1 AN ACT Relating to expansion of employer workers' compensation
2 group self-insurance; amending RCW 51.14.080, 51,14.150, and 48.62.011;
3 adding a new chapter to Title 51 RCW; creating a new section; and
4 prescribing penalties.

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

6 NEW SECTION. **Sec. 1.** The legislature finds that about one-third
7 of the state's work force is employed by self-insured employers. Since
8 1983, worker's compensation coverage has been provided through group
9 self-insurance by selected employers in Washington state. Today ten
10 different groups serve employees of school districts and nonprofit
11 hospitals in the state. The legislature further finds that over
12 thirty-five states permit private sector employers the choice of
13 insuring through groups and that a broader authorization for group
14 self-insurance in Washington will permit small and medium-size
15 employers to realize the same benefits from coordinated safety and
16 return-to-work programs as those realized by existing groups and larger
17 employers already authorized to self-insure.

18 The legislature further finds, consistent with a 1989 study
19 commissioned by the state, that the state can minimize any risks

1 associated with group self-insurance by enacting a group self-insurance
2 program based on the national association of insurance commissioners'
3 private employer group workers' compensation self-insurance model act.
4 It is the intent of the legislature to provide a limited number of
5 industries, reflecting a broad cross-section of employers, the
6 authority to group self-insure. It is the further intent of the
7 legislature that a joint legislative task force be created to study the
8 effects and the outcomes of this chapter.

9 NEW SECTION. **Sec. 2.** (1) This chapter applies to self-insurance
10 groups under this title, except for self-insurance groups covered under
11 RCW 51.14.150. However, a self-insurance group under RCW
12 51.14.150(2)(c) may elect to be covered under this chapter.

13 (2)(a) Except as otherwise provided in (b) of this subsection,
14 self-insurance groups under this chapter are subject to all the
15 requirements applying to self-insured employers under this title.

16 (b) With the exception of RCW 51.14.080, 51.14.095, 51.14.100,
17 51.14.110, 51.14.120, 51.14.130, and 51.14.140, chapter 51.14 RCW does
18 not apply to self-insurance groups under this chapter.

19 NEW SECTION. **Sec. 3.** Unless the context clearly requires
20 otherwise, the definitions in this section apply throughout this
21 chapter.

22 (1) "Administrator" means an individual, partnership, or
23 corporation engaged by a self-insurance group's board of trustees to
24 carry out the policies established by the group's board of trustees and
25 to provide day-to-day management of the group.

26 (2) "Insolvent" or "insolvency" means the inability of a self-
27 insurance group to pay its outstanding lawful obligations as they
28 mature in the regular course of business, as shown either by an excess
29 of its required reserves and other liabilities over its assets or by it
30 not having sufficient assets to reinsure all of its outstanding
31 liabilities after paying all accrued claims owed by it.

32 (3) "Net premium" means premium derived from standard premium
33 adjusted by any advance premium discounts.

34 (4) "Service company" means any person or entity that provides
35 services to a self-insurance group not provided by the administrator,
36 including but not limited to:

37 (a) Claims adjustment;

- 1 (b) Safety engineering;
- 2 (c) Compilation of statistics and the preparation of premium, loss,
3 and tax reports;
- 4 (d) Preparation of other required self-insurance reports;
- 5 (e) Development of members' assessments and fees; and
- 6 (f) Administration of a claims fund.

7 (5) "Standard premium" means the premium derived from the manual
8 rates adjusted by experience modification factors but before advance
9 premium discounts.

10 (6) "Self-insurance group" or "group" means:

11 (a) A not-for-profit group consisting of five or more employers who
12 enter into agreements to pool assets to cover the employers'
13 liabilities under this title and are classified by the employment
14 security department as:

15 (i) Nonprofit social service agencies with primary standard
16 industrial codes of 7389, 8611, 8621, 8211, 8351, 8011, 8641, 7991,
17 5963, 5411, 5932, 8311, 7021, and 7999;

18 (ii) Retail trade companies with primary standard industrial codes
19 of 52, 53, 54, 56, 57, and 59;

20 (iii) Forest product companies with a primary standard industrial
21 code of 24; or

22 (iv) Fast food eating establishments with a primary standard
23 industrial code of 5812; or

24 (b) Two or more local government entities, as defined in RCW
25 48.62.021, that are jointly self-insured under chapter 48.62 RCW.

26 NEW SECTION. **Sec. 4.** No person, group, or other entity shall act
27 as a self-insurance group under this chapter unless it has been issued
28 a certificate of approval by the director.

29 NEW SECTION. **Sec. 5.** Local government entities issued a
30 certificate of approval under this chapter may contract for or hire
31 personnel to provide administrative services and other services as
32 required or permitted by this chapter and shall possess any other
33 powers and perform all other functions reasonably necessary to carry
34 out the purposes of this chapter. The local government entities
35 applying for a certificate of approval under this chapter shall provide
36 notice of the application to the state risk manager, as defined in RCW
37 48.62.021.

1 NEW SECTION. **Sec. 6.** (1) A proposed self-insurance group shall
2 file with the director its application for a certificate of approval as
3 a self-insurance group accompanied by a nonrefundable filing fee in an
4 amount of one hundred fifty dollars or such larger sum as the director
5 finds necessary for the administrative costs of evaluating the group's
6 qualifications. The application shall include the group's name,
7 location of its principal office, date of organization, name and
8 address of each member, and such other information as the director may
9 reasonably require together with the following information:

10 (a) Proof of compliance with the provisions of subsection (2) of
11 this section;

12 (b) A copy of the articles of the group, if any;

13 (c) A copy of agreements with the administrator and with any
14 service company;

15 (d) A copy of the bylaws of the proposed group;

16 (e) A copy of the group's safety and occupational health plan;

17 (f) A copy of the agreement between the group and each member
18 securing the payment of each member's liability to its employees
19 covered by this title, and the payment of assessments under section 19
20 of this act;

21 (g) A copy of the indemnity agreement jointly and severally binding
22 each member for the liability of the group and other members of the
23 group under this title;

24 (h) Designation of the initial board of trustees and administrator;

25 (i) The address in this state where the books and records,
26 including claims files, of the group will be maintained at all times;

27 (j) A pro forma financial statement on a form acceptable to the
28 director showing the financial ability of the group to pay the
29 obligations of its members under this title; and

30 (k) Proof of payment to the group by each member of not less than
31 twenty-five percent of that member's first year estimated annual net
32 premium on a date prescribed by the director. Each payment shall be
33 considered to be part of the first year premium payment of each member
34 if the proposed group is granted a certificate of approval.

35 (2) To obtain and maintain its certificate of approval, a self-
36 insurance group shall comply with the following requirements as well as
37 any other requirements established by rule of the director:

38 (a) A combined net worth of all members of the group of at least
39 two million dollars;

1 (b) Security in the form and amount prescribed by the director
2 which shall be provided by a surety bond, security deposit, letter of
3 credit issued by a federally or state-chartered commercial banking
4 institution authorized to conduct business in the state of Washington,
5 or financial security endorsement, or any combination thereof. If a
6 surety bond is used to meet the security requirement, it shall be
7 issued by a corporate surety company authorized to transact business in
8 this state. If a security deposit is used to meet the security
9 requirement, securities shall be limited to: Bonds or other evidences
10 of indebtedness issued, assumed, or guaranteed by the United States, or
11 by an agency or instrumentality thereof; certificates of deposit in a
12 federally insured bank; shares or savings deposits in a federally
13 insured savings and loan association or credit union; or any bond or
14 security issued by a state of the United States and backed by the full
15 faith and credit of the state. Any such securities shall be deposited
16 in an escrow account in a depository designated by the director.
17 Interest accruing on a negotiable security so deposited shall be
18 collected and transmitted to the depositor provided the depositor is
19 not in default. A financial security endorsement issued as part of an
20 acceptable excess insurance contract may be used to meet all or part of
21 the security requirement. The bond, security deposit, letter of
22 credit, or financial security endorsement shall be for the benefit of
23 the state solely to pay claims and associated expenses and payable on
24 the failure of the group to pay workers' compensation benefits that it
25 is legally obligated to pay under this title. The director may
26 establish and adjust, from time to time, requirements for the amount of
27 security based on differences among groups in their size, types of
28 employment, years in existence, and other relevant factors;

29 (c) Specific and aggregate excess insurance in an approved form, in
30 a stated amount, and by an insurance company authorized to transact
31 insurance business in the state of Washington;

32 (d) An estimated annual standard premium of at least one million
33 dollars during a group's first year of operation. Thereafter, the
34 annual standard premium shall be at least five hundred thousand
35 dollars;

36 (e) An indemnity agreement jointly and severally binding the group
37 and each member thereof to meet the obligations of each member under
38 this title. The indemnity agreement shall be in a form prescribed by
39 the director and shall include minimum uniform substantive provisions

1 prescribed by the director. Subject to the director's approval, a
2 group may add other provisions needed because of its particular
3 circumstances;

4 (f) A fidelity bond for the administrator in a form and amount
5 prescribed by the director; and

6 (g) A fidelity bond for the service company in a form and amount
7 prescribed by the director. The director may also require the service
8 company providing claim services to furnish a performance bond in a
9 form and amount prescribed by the director.

10 (3) A group shall notify the director of any change in the
11 information required to be filed under subsection (1) of this section
12 or in the manner of its compliance with subsection (2) of this section
13 no later than thirty days after the change.

14 (4) The director shall evaluate the information provided by the
15 application required to be filed under subsection (1) of this section
16 to assure that no gaps in funding exist and that funds necessary to pay
17 benefits under this title will be available on a timely basis.

18 (5) The director shall act on a completed application for a
19 certificate of approval as a self-insurance group within sixty days.
20 If, because of the number of applications, the director is unable to
21 act on an application within this period, the director shall have an
22 additional sixty days to so act.

23 (6) The director shall issue a certificate of approval on finding
24 that the proposed self-insurance group has met all the requirements of
25 this chapter, or the director shall issue an order denying the
26 certificate on finding that the proposed group does not meet all
27 requirements. An order denying a certificate shall set forth the
28 reasons for the denial.

29 (7) Each self-insurance group shall be deemed to have appointed the
30 director as its attorney-in-fact to receive service of legal process
31 issued against it in this state. The appointment shall be irrevocable,
32 shall bind any successor in interest, and shall remain in effect as
33 long as there is in this state any obligation or liability of the group
34 for benefits under this title.

35 NEW SECTION. **Sec. 7.** (1) A certificate of approval issued by the
36 director to a self-insurance group authorizes the group to carry its
37 own liability under this title to its employees covered by this title.
38 The certificate of approval remains in effect until terminated at the

1 request of the group or revoked by the director pursuant to section 22
2 of this act.

3 (2)(a) The director may grant the request of any self-insurance
4 group to terminate its certificate of approval, effective not less than
5 thirty days after the request for termination. However, the
6 termination of a group under this section may not be effective until
7 each member of the group has filed with the director for industrial
8 insurance coverage under this title, has become a member of another
9 self-insurance group, has become an approved self-insurer, or has
10 ceased being an employer.

11 (b) A self-insurance group that has had its certificate of approval
12 terminated under this section must maintain surety deemed sufficient in
13 the director's discretion to cover the entire liability of the group to
14 its employees for injuries or occupational diseases that occurred
15 during the period that the group was self-insured.

16 (3) Subject to the approval of the director, a group may merge with
17 another group engaged in the same or similar type of business only if
18 the resulting group assumes in full all obligations of the merging
19 groups. The director may hold a hearing on the merger and shall do so
20 if any party, including a member of either group, so requests.

21 NEW SECTION. **Sec. 8.** Each self-insurance group shall be operated
22 by a board of trustees which shall consist of not less than five
23 persons elected by the members of a group for stated terms of office.
24 At least two-thirds of the trustees shall be employees, officers, or
25 directors of members of the group. The group's administrator, service
26 company, or any owner, officer, or employee of, or any other person
27 affiliated with such administrator or service company shall not serve
28 on the board of trustees of the group. All trustees shall be residents
29 of this state or officers of corporations authorized to do business in
30 this state. The board of trustees of each group shall ensure that all
31 claims under this title are paid promptly and shall take all necessary
32 precautions to safeguard the assets of the group, including all of the
33 following:

34 (1) The board of trustees shall:

35 (a) Maintain responsibility for all moneys collected or disbursed
36 from the group and segregate all moneys into a claims fund account and
37 an administrative fund account. At least seventy percent of the net
38 premium shall be placed into a designated depository for the sole

1 purpose of paying claims, allocated claims expenses, reinsurance or
2 excess insurance, and special fund contributions, including second
3 injury and other loss-related funds. This shall be called the claims
4 fund account. The remaining net premium shall be placed into a
5 designated depository for the payment of taxes, general regulatory fees
6 and assessments, and administrative costs. This shall be called the
7 administrative fund account. The director may approve an
8 administrative fund account of more than thirty percent and a claims
9 fund account of less than seventy percent only if the group shows to
10 the director's satisfaction that more than thirty percent is needed for
11 an effective safety and loss control program or the group's aggregate
12 excess insurance attaches at less than seventy percent;

13 (b) Maintain minutes of its meetings and make such minutes
14 available to the director;

15 (c) Designate an administrator to carry out the policies
16 established by the board of trustees and to provide day-to-day
17 management of the group, and delineate in the written minutes of its
18 meetings the areas of authority it delegates to the administrator; and

19 (d) Retain an independent certified public accountant to prepare
20 the statement of financial condition required by section 12(1) of this
21 act.

22 (2) The board of trustees shall not:

23 (a) Extend credit to individual members for payment of a premium,
24 except pursuant to payment plans approved by the director; or

25 (b) Borrow any moneys from the group or in the name of the group
26 except in the ordinary course of business without first advising the
27 director of the nature and purpose of the loan and obtaining prior
28 approval from the director.

29 NEW SECTION. **Sec. 9.** (1) Any employer who has been a member of a
30 certified group and ceases to be a member of the group must wait three
31 years before becoming a member of another group.

32 (2) An employer joining a self-insurance group after the group has
33 been issued a certificate of approval shall submit an application for
34 membership to the board of trustees or its administrator, and enter
35 into the indemnity agreement required by section 6(2)(e) of this act.
36 Membership may take effect no earlier than the date of approval of the
37 application. The application for membership and its approval shall be

1 maintained as permanent records of the board of trustees and a copy
2 filed with the director.

3 (3) Individual members of a group shall be subject to cancellation
4 by the group pursuant to the group's bylaws or by the director as
5 provided in RCW 51.14.080(2). In addition, individual members may
6 elect to terminate their participation in the group. The group shall
7 notify the director of the termination or cancellation of a member
8 within ten days and shall maintain coverage of each canceled or
9 terminated member for thirty days after such notice, at the terminating
10 member's expense, unless the group is notified sooner by the department
11 that the canceled or terminated member has filed with the director for
12 industrial insurance under this title, has become an approved self-
13 insurer, has become a member of another self-insurance group, or has
14 ceased being an employer.

15 (4) The group shall pay all benefits under this title for which
16 each member incurs liability during its period of membership. A member
17 who elects to terminate its membership or is canceled by a group
18 remains jointly and severally liable for the obligations under this
19 title of the group and its members that were incurred during the
20 canceled or terminated member's period of membership.

21 (5) A group member is not relieved of its liabilities under this
22 title incurred during its period of membership except through payment
23 by the group or the member of the liabilities.

24 (6) The insolvency or bankruptcy of a member does not relieve the
25 group or any other member of liability for the payment of any
26 obligations under this title incurred during the insolvent or bankrupt
27 member's period of membership.

28 NEW SECTION. **Sec. 10.** (1) No service company or its employees,
29 officers, or directors may be an employee, officer, or director of or
30 have either a direct or indirect financial interest in an
31 administrator. No administrator or its employees, officers, or
32 directors may be an employee, officer, or director of or have either a
33 direct or indirect financial interest in a service company.

34 (2) The service contract shall state that unless the director
35 permits or requires otherwise the service company shall handle, to
36 their conclusion, all claims and other obligations incurred during the
37 contract period.

1 NEW SECTION. **Sec. 11.** Except for an employee of a self-insurance
2 group, its administrator, or its service company, any person soliciting
3 membership in a self-insurance group under this chapter must have a
4 solicitation permit as provided in chapter 48.06 RCW.

5 NEW SECTION. **Sec. 12.** (1) Each self-insurance group shall submit
6 to the director a statement of financial condition audited by an
7 independent certified public accountant on or before the last day of
8 the sixth month following the end of the group's fiscal year. The
9 financial statement shall be on a form prescribed by the director and
10 shall include, but not be limited to, actuarially appropriate reserves
11 for known claims and expenses associated therewith, claims incurred but
12 not reported and expenses associated therewith, unearned premiums, and
13 bad debts, which reserves shall be shown as liabilities. An actuarial
14 opinion regarding reserves for known claims and expenses associated
15 therewith and claims incurred but not reported and expenses associated
16 therewith shall be included in the audited financial statement. The
17 actuarial opinion shall be approved by the director or be given by a
18 member of the American academy of actuaries or other qualified loss
19 reserve specialist as defined in the annual statement adopted by the
20 national association of insurance commissioners.

21 (2) The director may prescribe the format and frequency of other
22 reports which may include, but shall not be limited to, payroll audit
23 reports, summary loss reports, and quarterly financial statements.

24 NEW SECTION. **Sec. 13.** No person may make a material
25 misrepresentation or omission of a material fact in connection with the
26 solicitation of membership in a self-insurance group.

27 NEW SECTION. **Sec. 14.** Funds not needed for current obligations
28 may be invested by a self-insurance group's board of trustees in
29 accordance with chapter 48.13 RCW.

30 NEW SECTION. **Sec. 15.** (1) Every self-insurance group shall adhere
31 to the uniform classification system, uniform experience rating plan,
32 and manual rates and rules filed with the director by an advisory
33 organization designated by the director.

34 (2) Premium contributions to the group shall be determined by
35 applying the manual rates and rules to the appropriate classification

1 of each member which shall be adjusted by each member's experience
2 credit or debit. Subject to approval by the director, premium
3 contributions may also be reduced by an advance premium discount
4 reflecting the group's expense levels and loss experience. A group may
5 apply to the director for permission to make its own rates, and if
6 permission is granted, the rates must be based on at least five years
7 of the group's experience.

8 (3) Each group shall be audited at least annually by an auditor
9 acceptable to the director to verify proper classifications, experience
10 rating, payroll, and rates. A report of the audit shall be filed with
11 the director in a form acceptable to the director. A group or any
12 member thereof may request a hearing on any objection to the
13 classification. If the director determines that as a result of an
14 improper classification a member's premium contribution is
15 insufficient, the director shall order the group to assess that member
16 an amount equal to the deficiency. If the director determines that as
17 a result of an improper classification a member's premium is excessive,
18 the director shall order the group to refund to the member the excess
19 collected. The audit shall be at the expense of the group.

20 NEW SECTION. **Sec. 16.** (1) Any moneys for a fund year in excess of
21 the amount necessary to fund all obligations under this title for that
22 fund year may be declared to be refundable by the self-insurance
23 group's board of trustees not less than twelve months after the end of
24 the fund year.

25 (2) Each member shall be given a written description of the refund
26 plan at the time of application for membership. A refund for any fund
27 year shall be paid only to those employers who remain participants in
28 the group for the entire fund year. Payment of a refund based on a
29 previous fund year shall not be contingent on continued membership in
30 the group after that fund year.

31 NEW SECTION. **Sec. 17.** (1) Each self-insurance group shall
32 establish to the satisfaction of the director a premium payment plan
33 which shall include an initial payment by each member of at least
34 twenty-five percent of that member's annual premium before the start of
35 the group's fund year and payment of the balance of each member's
36 annual premium in monthly or quarterly installments.

1 (2) Each group shall establish and maintain actuarially appropriate
2 loss reserves which shall include reserves for known claims and
3 expenses associated therewith and claims incurred but not reported and
4 expenses associated therewith.

5 (3) Each group shall establish and maintain bad debt reserves based
6 on the historical experience of the group or other groups.

7 NEW SECTION. **Sec. 18.** (1) If the assets of a self-insurance group
8 are at any time insufficient to enable the group to discharge its
9 liabilities under this title and to maintain the reserves required of
10 it under this chapter, it shall forthwith make up the deficiency or
11 levy an assessment on its members for the amount needed to make up the
12 deficiency.

13 (2) In the event of a deficiency in any fund year, the deficiency
14 shall be made up immediately from surplus from a fund year other than
15 the current fund year, administrative funds, assessment of the
16 membership if ordered by the group, or such alternative method as the
17 director approves or directs. The director shall be notified prior to
18 any transfer of surplus funds from one fund year to another.

19 (3)(a) If the group fails to assess its members or to otherwise
20 make up such deficit within thirty days, the director shall order it to
21 do so.

22 (b) If the group fails to make the required assessment of its
23 members within thirty days after the director orders it to do so, or if
24 the deficiency is not fully made up within sixty days after the date on
25 which such assessment is made, or within such longer period of time as
26 specified by the director, the group shall be deemed to be insolvent.

27 (c) The director shall proceed against an insolvent group in the
28 same manner as the director would proceed against an insolvent self-
29 insurer under chapter 51.14 RCW.

30 (d) If a self-insurance group is liquidated, the director shall
31 levy an assessment on its members for an amount determined by the
32 director to be necessary to discharge all liabilities of the group,
33 including the reasonable costs of liquidation.

34 (4) A self-insurance group insolvency trust shall be established
35 following the rules pursuant to RCW 51.14.077.

36 NEW SECTION. **Sec. 19.** If liquidation occurs under section 18 of
37 this act, after exhausting the security required under section 6(2)(b)

1 of this act, the director shall levy an assessment against all self-
2 insurance groups under this chapter to assure prompt payment of such
3 benefits. The assessment on each group shall be based on the
4 proportion that the premium of each group bears to the total premium of
5 all groups under this chapter. The director may exempt a group from
6 assessment on finding that the payment of the assessment would render
7 the group insolvent. Such assessment shall not relieve any member of
8 an insolvent group of its joint and several liability. After any such
9 assessment is made, the director shall take action to enforce the joint
10 and several liability provisions of the insolvent group's indemnity
11 agreement, and shall recoup all costs incurred by the director in
12 enforcing such joint and several liability provisions, amounts that the
13 director assessed any other groups pursuant to this section, and any
14 obligations included within section 18(3)(d) of this act.

15 NEW SECTION. **Sec. 20.** After notice and opportunity for a hearing,
16 the director may impose a monetary penalty on any person or self-
17 insurance group found to be in violation of any provision of this
18 chapter or of any rules adopted under this chapter. Such monetary
19 penalty shall not exceed one thousand dollars for each violation and
20 shall not exceed ten thousand dollars in the aggregate. The amount of
21 any monetary penalty shall be paid to the director for deposit in the
22 accident and medical aid funds.

23 NEW SECTION. **Sec. 21.** (1) After notice and opportunity for a
24 hearing, the director may issue an order requiring a person or self-
25 insurance group to cease and desist from engaging in an act or practice
26 found to be in violation of this chapter or of any rules adopted under
27 this chapter.

28 (2) On a finding, after notice and opportunity for a hearing, that
29 any person or self-insurance group has violated a cease and desist
30 order, the director may do either or both of the following:

31 (a) Impose a monetary penalty of not more than ten thousand dollars
32 for each violation of the order not to exceed an aggregate monetary
33 penalty of one hundred thousand dollars; or

34 (b) Revoke the group's certificate of approval.

35 NEW SECTION. **Sec. 22.** (1) After notice and opportunity for a
36 hearing, the director may revoke a self-insurance group's certificate

1 of approval if it is found to be insolvent, fails to pay a regulatory
2 fee, assessment, or special fund contribution imposed on it, or fails
3 to comply with any of the provisions of this chapter, with any rules
4 adopted under this chapter, or with any lawful order of the director,
5 within the time prescribed. In addition, the director may revoke a
6 group's certificate of approval if, after notice and opportunity for a
7 hearing, the director finds that the certificate of approval that was
8 issued to the group was obtained by fraud, that there was a material
9 misrepresentation in the application for the certificate of approval,
10 or that the group or its administrator has misappropriated, converted,
11 illegally withheld, or refused to pay over on proper demand any moneys
12 that belong to a member, an employee of a member, or a person otherwise
13 entitled thereto and that have been entrusted to the group or its
14 administrator in its fiduciary capacities.

15 (2) The director shall serve on the self-insurance group,
16 personally, by electronic means, or by certified mail, a notice of
17 intention to revoke the group's certificate of approval, which notice
18 shall describe the nature and location of the plants or operations
19 involved and the specific nature of the reasons for the decision. The
20 notice shall include: (a) The period of time within which the grounds
21 for revocation existed or arose; (b) a directive to the group
22 specifying the manner in which the grounds may be eliminated; and (c)
23 the date, not less than thirty days after the self-insurer's receipt of
24 the notice, when the certificate of approval will be withdrawn in the
25 absence of a satisfactory elimination of the grounds for withdrawal of
26 the certificate.

27 (3) An appeal of any action by the director under this section may
28 be taken by the self-insurance group. Proceedings on the appeal shall
29 be as prescribed in this title. Appeal by a group of a notice of
30 intention to withdraw a certificate of approval or to take corrective
31 action shall not act as a stay of the withdrawal or corrective action
32 unless the board or court, for good cause shown, orders otherwise.

33 NEW SECTION. **Sec. 23.** The director may adopt rules to implement
34 this chapter, including rules providing for administrative assessments
35 of self-insurance groups under this chapter.

36 NEW SECTION. **Sec. 24.** If any provision of this act or its
37 application to any person or circumstance is held invalid, the

1 remainder of the act or the application of the provision to other
2 persons or circumstances is not affected.

3 **Sec. 25.** RCW 51.14.080 and 1986 c 57 s 7 are each amended to read
4 as follows:

5 (1) Certification of a self-insurer shall be withdrawn by the
6 director upon one or more of the following grounds:

7 ~~((1))~~ (a) The employer no longer meets the requirements of a
8 self-insurer; or

9 ~~((2))~~ (b) The self-insurer's deposit is insufficient; or

10 ~~((3))~~ (c) The self-insurer intentionally or repeatedly induces
11 employees to fail to report injuries, induces claimants to treat
12 injuries in the course of employment as off-the-job injuries, persuades
13 claimants to accept less than the compensation due, or unreasonably
14 makes it necessary for claimants to resort to proceedings against the
15 employer to obtain compensation; or

16 ~~((4))~~ (d) The self-insurer habitually fails to comply with rules
17 and regulations of the director regarding reports or other requirements
18 necessary to carry out the purposes of this title; or

19 ~~((5))~~ (e) The self-insurer habitually engages in a practice of
20 arbitrarily or unreasonably refusing employment to applicants for
21 employment or discharging employees because of nondisabling bodily
22 conditions; or

23 ~~((6))~~ (f) The self-insurer fails to pay an insolvency assessment
24 under the procedures established pursuant to RCW 51.14.077.

25 (2) With respect to self-insurance groups subject to chapter 51.--
26 RCW (sections 1 through 24 of this act), if the director finds grounds
27 for decertification under subsection (1) of this section:

28 (a) Because of actions or failure to act by a self-insurance group
29 or group's representative, the self-insurance group's certification
30 shall be withdrawn by the director; or

31 (b) Because of actions or failure to act by an employer member of
32 a self-insurance group or the employer's representative, the employer's
33 membership in the group shall be canceled by the director.

34 **Sec. 26.** RCW 51.14.150 and 1993 c 158 s 1 are each amended to read
35 as follows:

36 (1) For the purposes of this section, "hospital" means a hospital
37 as defined in RCW 70.41.020(2) or a psychiatric hospital regulated

1 under chapter 71.12 RCW, but does not include beds utilized by a
2 comprehensive cancer center for cancer research.

3 (2)(a) Any two or more employers which are school districts or
4 educational service districts, or (b) any two or more employers which
5 are public hospital districts or hospitals, and are owned or operated
6 by a state agency or municipal corporation of this state, or (c) any
7 two or more employers which are hospitals, no one of which is owned or
8 operated by a state agency or municipal corporation of this state, may
9 enter into agreements to form self-insurance groups for the purposes of
10 this chapter.

11 (3) No more than one group may be formed under subsection (2)(b) of
12 this section and no more than one group may be formed under subsection
13 (2)(c) of this section.

14 (4) The self-insurance groups shall be organized and operated under
15 rules promulgated by the director under RCW 51.14.160. Such a self-
16 insurance group shall be deemed an employer for the purposes of this
17 chapter, and may qualify as a self-insurer if it meets all the other
18 requirements of this chapter.

19 **Sec. 27.** RCW 48.62.011 and 1991 sp.s. c 30 s 1 are each amended to
20 read as follows:

21 This chapter is intended to provide the exclusive source of local
22 government entity authority to individually or jointly self-insure
23 risks, jointly purchase insurance or reinsurance, and to contract for
24 risk management, claims, and administrative services. This chapter
25 shall be liberally construed to grant local government entities maximum
26 flexibility in self-insuring to the extent the self-insurance programs
27 are operated in a safe and sound manner. This chapter is intended to
28 require prior approval for the establishment of every individual local
29 government self-insured employee health and welfare benefit program and
30 every joint local government self-insurance program. In addition, this
31 chapter is intended to require every local government entity that
32 establishes a self-insurance program not subject to prior approval to
33 notify the state of the existence of the program and to comply with the
34 regulatory and statutory standards governing the management and
35 operation of the programs as provided in this chapter. This chapter is
36 not intended to authorize or regulate self-insurance of unemployment
37 compensation under chapter 50.44 RCW, or industrial insurance under
38 (~~chapter 51.14~~) Title 51 RCW.

1 NEW SECTION. **Sec. 28.** There is created a joint legislative task
2 force on group self-insurance that shall examine the impact of the
3 enactment of this act. The task force shall examine the claims
4 frequency, return-to-work rates, and long-term wage replacement for
5 injured workers among groups authorized to offer self-insurance to
6 their members, and compare them to the same outcomes for those covered
7 by the state fund. The task force shall also examine the effect of
8 group self-insurance on the state fund, the financial stability and
9 reserve adequacy of the groups, and any other factors deemed
10 appropriate by the task force. The department of labor and industries
11 shall assist the task force in its work. The task force shall report
12 its findings and any recommendations it may have to the appropriate
13 committees of the legislature by December 1, 1999.

14 NEW SECTION. **Sec. 29.** Sections 1 through 24 of this act
15 constitute a new chapter in Title 51 RCW.

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