

SENATE BILL REPORT

SB 5867

As of February 24, 1999

Title: An act relating to the entrance criteria for retrospective rating groups.

Brief Description: Creating a retrospective rating plan.

Sponsors: Senators Haugen, West, Loveland, Hochstatter, T. Sheldon, Oke, Heavey, Hale, Rasmussen and Honeyford.

Brief History:

Committee Activity: Labor & Workforce Development: 2/25/99.

SENATE COMMITTEE ON LABOR & WORKFORCE DEVELOPMENT

Staff: Jack Brummel (786-7428)

Background: The Department of Labor and Industries has adopted rules providing for retrospective adjustment of an employer's industrial insurance premium under a retrospective rating plan. The plan is also available to groups of employers that meet statutory requirements for group insurance. The plan is available on a voluntary basis for a one-year period, beginning in January, April, July, or October, and may be renewed at the end of that year. The plan must be consistent with recognized insurance principles and be administered under rules adopted by the department.

Under retrospective rating, a participating firms's premium is adjusted based on injury claims within the designated period. Claim costs that are lower than expected result in a refund; higher costs result in higher charges. Employers enrolled in the retrospective rating program received \$88 million in refunds in the 12-month period ending in April of 1998.

Summary of Substitute Bill: The department's retrospective rating plan is statutorily mandated. Participating employers or groups of employers must comply with the department's rules. Retrospective rating groups must select a 12-month coverage period and seek to substantially improve workplace safety, injury prevention, and claims management for members. Insurers and insurance brokers, agents or solicitors may not form or sponsor a retrospective rating group.

Groups required by the department to pay additional net premium assessments in two consecutive coverage periods must be placed on probation. A third consecutive additional assessment results in the group being denied future enrollment and the sponsoring entity may not sponsor another group for five years. Each member of a retrospective rating group must be treated as a single entity for purposes of dividends or premium discounts.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Requested on February 24, 1999.

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