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SENATE BILL 6723

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State of Washington 57th Legislature

2002 Regular Session

By Senators Honeyford, Rasmussen, Hochstatter and Winsley

Read first time 01/29/2002. Referred to Committee on Labor, Commerce & Financial Institutions.

1 AN ACT Relating to management of claims of insolvent self-insurers;  
2 and amending RCW 51.14.077.

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

4 **Sec. 1.** RCW 51.14.077 and 1986 c 57 s 6 are each amended to read  
5 as follows:

6 (1) A self-insurers' insolvency trust is established to provide for  
7 the unsecured benefits paid to the injured workers of self-insured  
8 employers under this title for insolvent or defaulting self-insured  
9 employers and for the department's associated administrative costs,  
10 including attorneys' fees. The self-insurers' insolvency trust shall  
11 be funded by an insolvency assessment which shall be levied on a post-  
12 insolvency basis and after the defaulting self-insured employer's  
13 security deposit, assets, and reinsurance, if any, have been exhausted.  
14 Insolvency assessments shall be imposed on all self-insured employers,  
15 except school districts, cities, and counties. The manner of imposing  
16 and collecting assessments to the insolvency fund shall be set forth in  
17 rules adopted by the department to ensure that self-insured employers  
18 pay into the fund in proportion to their claim costs. The department's  
19 rules shall provide that self-insured employers who have surrendered

1 their certification shall be assessed for a period of not more than  
2 three calendar years following the termination date of their  
3 certification.

4 (2) The director shall adopt rules to carry out the purposes of  
5 this section, including but not limited to:

6 (a) Governing the formation of the self-insurers' insolvency trust  
7 for the purpose of this chapter;

8 (b) Governing the organization and operation of the self-insurers'  
9 insolvency trust to assure compliance with the requirements of this  
10 chapter;

11 (c) Requiring adequate accountability of the collection and  
12 disbursement of funds in the self-insurers' insolvency trust; and

13 (d) Any other provisions necessary to carry out the requirements of  
14 this chapter.

15 (3) The department shall contract with a service organization or  
16 third-party administrator with a certified Washington claims  
17 administrator to manage the claims of insolvent self-insured employers.  
18 The director shall select the service organization or third-party  
19 administrator through a competitive bidding process in which at least  
20 two service organizations or third-party administrators submit bids.  
21 If an insufficient number of bids is submitted, the claims shall be  
22 managed by the self-insurance section of the department. The service  
23 organization or third-party administrator has authority to make all  
24 decisions regarding claims of an insolvent self-insured employer.

25 (4) The self-insurers' insolvency trust board has the right to  
26 audit the claim files of any claim of an insolvent self-insured  
27 employer for which benefits are or may be payable to determine whether  
28 the claims are being properly managed, to make recommendations for  
29 handling of any claim, to improve the program, and to ensure compliance  
30 with the requirements of this chapter.

31 (5) The department shall perform an annual audit at the office of  
32 each service organization or third-party administrator of the claims of  
33 insolvent self-insured employers that are being managed by that service  
34 organization or third-party administrator.

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