

SB 5869 - H COMM AMD

By Committee on Financial Institutions & Insurance

ADOPTED 03/03/2004

1 Strike everything after the enacting clause and insert the  
2 following:

3 "NEW SECTION. **Sec. 1.** The legislature finds that recent increases  
4 in property and liability insurance premiums experienced by some  
5 nonprofit organizations have the potential to negatively impact the  
6 ability of these organizations to continue to offer the level of  
7 service they provide in our communities. The legislature finds that  
8 nonprofit organizations are distinct from private for-profit  
9 businesses. By their very nature, nonprofit organizations are formed  
10 for purposes other than generating a profit, and are restricted from  
11 distributing any part of the organization's income to its directors or  
12 officers. Because of these characteristics, nonprofit organizations  
13 provide a unique public good to the residents in our state.

14 The legislature finds that in order to sustain the financial  
15 viability of nonprofit organizations, they should be provided with  
16 alternative options for insuring against risks. The legislature  
17 further finds that local government entities and nonprofit  
18 organizations share the common goal of providing services beneficial to  
19 the public interest. The legislature finds that allowing nonprofit  
20 organizations and local government entities to pool risk in self-  
21 insurance risk pools may be of mutual benefit for both types of  
22 entities. Therefore, it is the intent of the legislature to allow  
23 nonprofit organizations to form or participate in self-insurance risk  
24 pools with other nonprofit organizations or with local government  
25 entities where authority for such risk pooling arrangements does not  
26 currently exist in state or federal law.

27 **Sec. 2.** RCW 48.62.021 and 2002 c 332 s 24 are each amended to read  
28 as follows:

1 Unless the context clearly requires otherwise, the definitions in  
2 this section apply throughout this chapter.

3 (1) "Local government entity" or "entity" means every unit of local  
4 government, both general purpose and special purpose, and includes, but  
5 is not limited to, counties, cities, towns, port districts, public  
6 utility districts, water-sewer districts, school districts, fire  
7 protection districts, irrigation districts, metropolitan municipal  
8 corporations, conservation districts, and other political subdivisions,  
9 governmental subdivisions, municipal corporations, and quasi-municipal  
10 corporations.

11 (2) "Risk assumption" means a decision to absorb the entity's  
12 financial exposure to a risk of loss without the creation of a formal  
13 program of advance funding of anticipated losses.

14 (3) "Self-insurance" means a formal program of advance funding and  
15 management of entity financial exposure to a risk of loss that is not  
16 transferred through the purchase of an insurance policy or contract.

17 (4) "Health and welfare benefits" means a plan or program  
18 established by a local government entity or entities for the purpose of  
19 providing its employees and their dependents, and in the case of school  
20 districts, its district employees, students, directors, or any of their  
21 dependents, with health care, accident, disability, death, and salary  
22 protection benefits.

23 (5) "Property and liability risks" includes the risk of property  
24 damage or loss sustained by a local government entity and the risk of  
25 claims arising from the tortious or negligent conduct or any error or  
26 omission of the local government entity, its officers, employees,  
27 agents, or volunteers as a result of which a claim may be made against  
28 the local government entity.

29 (6) "State risk manager" means the risk manager of the risk  
30 management division within the office of financial management.

31 (7) "Nonprofit corporation" or "corporation" has the same meaning  
32 as defined in RCW 24.03.005(3).

33 NEW SECTION. Sec. 3. A new section is added to chapter 48.62 RCW  
34 to read as follows:

35 (1) A nonprofit corporation may form or join a self-insurance risk

1 pool with one or more nonprofit corporations or with a local government  
2 entity or entities for property and liability risks.

3 (2) A nonprofit corporation that participates in or forms a self-  
4 insurance risk pool with one or more nonprofit corporations or with a  
5 local government entity or entities, as provided in subsection (1) of  
6 this section, is subject to the same rules and regulations that apply  
7 to a local government entity or entities under this chapter.

8 (3) This section does not apply to a nonprofit corporation that:

9 (a) Individually self-insures for property and liability risks;

10 (b) Participates in a risk pooling arrangement, including a risk  
11 retention group or a risk purchasing group, regulated under chapter  
12 48.92 RCW, or is a captive insurer authorized in its state of domicile;  
13 or

14 (c) Is a hospital licensed under chapter 70.41 RCW or an entity  
15 owned, operated, controlled by, or affiliated with such a hospital that  
16 participates in a self-insurance risk pool or other risk pooling  
17 arrangement, unless the self-insurance pool or other risk pooling  
18 arrangement for property and liability risks includes a local  
19 government entity."

20 Correct the title.

EFFECT: Authorizes a nonprofit corporation to form a self-  
insurance risk pool with another nonprofit corporation or a local  
government entity for property or liability risks.

Provides that nonprofit corporations that form self-insurance risk  
pools are subject to the same regulations as are local government  
entities that form self-insurance risk pools.

Exempts from this act nonprofit corporations that: Individually  
self-insure for property and liability risks; participate in a risk  
pool regulated under the insurance code or is a captive insurer  
authorized as such in another state; or is a licensed hospital or is  
owned or affiliated with a hospital that participates in a self-  
insurance risk pool.

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