
**Financial Institutions &
Insurance Committee**

SHB 1840

Brief Description: Authorizing nonprofit corporations to participate in self-insurance risk pools.

Sponsors: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Clibborn, Jarrett, Rockefeller, O'Brien, Skinner, Hankins, Edwards, Nixon, Pettigrew, Sullivan, Hunt, Moeller, Schindler, Mielke, Kenney, Haigh, Linville, Lovick, Chase, Darneille and Tom).

Brief Summary of Substitute Bill

- Authorizes private, nonprofit transportation providers to participate in self-insurance risk pools with local government entities.

Hearing Date: 1/21/04

Staff: Carrie Tellefson (786-7127).

Background:

Certain nonprofit corporations provide specialized transportation services to groups with special needs, such as seniors and disabled persons. "Private, nonprofit transportation provider" is defined as any private, nonprofit corporation providing transportation services for compensation solely to persons with special transportation needs." "Persons with special transportation needs," in turn, refers to persons who – due to disability, poverty, or age – are unable to provide their own transportation.

Recently many of these nonprofit corporations have either experienced difficulty obtaining the liability insurance necessary to continue providing such transportation services or have seen dramatic increases in their insurance premiums.

Self-insurance by local governments:

Local government entities have the authority to individually or jointly self-insure against risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. In addition, subject to specified conditions, local government entities may enter into joint self-insurance programs with similar entities from other states. The Risk Manager (Risk Manager) within the Office of Financial Management is responsible for the regulation of such self-insurance activities and may adopt rules governing their operation.

Local government entities must obtain prior approval from the Risk Manager before establishing a *joint* self-insurance program covering property and liability risks involving two or more covered entities. Such *prior* approval is not required for the creation of an *individual* self-insurance program. However, entities that establish individual self-insurance programs must notify the Risk Manager of the existence of the program and comply with the regulatory and statutory standards governing the operation of such programs. In addition, self-insurance programs must file annual reports with the Risk Manager and the State Auditor containing specified information regarding their operation.

Washington Nonprofit Corporation Act:

The Washington Nonprofit Corporation Act (Act) governs the organization and practices of nonprofit corporations in Washington. The Act contains a lengthy list of "general powers" that may be exercised by nonprofits, covering such areas as contracts, lending money, pensions, and other corporate practices.

Summary of Bill:

Nonprofit corporations that meet the statutory definition of "private, nonprofit transportation provider" are authorized to participate in self-insurance risk pools with local government entities. Specifically, private, nonprofit transportation providers are authorized to individually or jointly self insure, or jointly purchase insurance or reinsurance, with local government entities. Nonprofit corporations that participate in such self-insurance arrangements are subject to the same rules and regulations applicable to local government entities that self insure.

The state Risk Manager is required to report to the Legislature by December 1, 2004, regarding the impact of the bill on self-insurance risk pools.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.