

HOUSE BILL REPORT

SB 5869

As Passed House - Amended:

March 3, 2004

Title: An act relating to authorizing nonprofit corporations to participate in self-insurance risk pools.

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

Sponsors: By Senators T. Sheldon, Winsley, Eide, Schmidt, Prentice and Kline.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/25/04, 2/27/04 [DPA].

Floor Activity:

Passed House - Amended: 3/3/04, 95-0.

Brief Summary of Bill (As Amended by House)

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

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass as amended. Signed by 11 members: Representatives Schual-Berke, Chair; G. Simpson, Vice Chair; Benson, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Cairnes, Carrell, Cooper, Hatfield, Roach, Santos and D. Simpson.

Staff: Carrie Tellefson (786-7127).

Background:

Recently many nonprofit corporations have either experienced difficulty obtaining the liability insurance necessary to continue providing 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 (OFM) 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 Amended Bill:

Nonprofit corporations may form a self-insurance risk pool with another nonprofit corporation or a local government entity for property or liability risks. Nonprofit corporations that form self-insurance risk pools are subject to the same restrictions and regulations as are local government entities that form self-insurance risk pools.

The following entities are exempt from the provisions of this act: those that individually self-insure for property and liability risks; those that participate in a risk pool regulated under the insurance code or are a captive insurer authorized in another state; or licensed hospitals or entities owned or affiliated with a hospital that participates in a self-insurance risk pool.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: (In support) This is their policy priority this session. Nonprofits are having difficulty getting liability insurance, if they can get it. One of their organizations had insurance rates of \$9,000 a year in 2001. Last month they received a renewal notice at a price of \$117,000. They had to do a request for proposal to get insurance and only got a few responses. Their organization had proposed a rate increase in the budget for these agencies to help deal with the cost. There were bill proposals to create joint underwriting association, but

they failed also. They complement the insurance industry for putting a proviso in both budgets to look at the issue of these difficult markets. This is the only legislation left that will allow them to have any options. Most businesses would not operate without insurance. They supported both bills and still do. The House bill has not been scheduled for a hearing in the Senate.

They appreciate the work being done on this bill. Insurance in the affordable housing arena is becoming a major problem. Nonprofit housing providers have seen increases in premiums by three or four times. They've looked at all kinds of opportunities, including risk pools, but they found that they didn't have the authority.

(In support with amendment) They worked with Representative Clibborn and House staff to come up with language that would work for everyone. The hospital association also worked on this and would support the striker.

Testimony Against: None.

Persons Testifying: (In support) Darren R. Brugmann, Fremont Public Association; Eric Homer, C & A; Laurie Lippold, Children's Home Society of Washington; and Kim Herman, Washington State Housing Finance Commission.

(In support with amendment) Ken Bertrand, Group Health Cooperative.

Persons Signed In To Testify But Not Testifying: None.