

SENATE BILL REPORT

SHB 1840

As Reported By Senate Committee On:
Financial Services, Insurance & Housing, April 4, 2003

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: 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 History:

Committee Activity: Financial Services, Insurance & Housing: 4/3/03, 4/4/03 [DP].

SENATE COMMITTEE ON FINANCIAL SERVICES, INSURANCE & HOUSING

Majority Report: Do pass.

Signed by Senators Benton, Chair; Keiser, Prentice, Roach and Zarelli.

Staff: Joanne Conrad (786-7472)

Background: Insurance issues affecting special needs transportation providers: Throughout the state, there are local nonprofit corporations that provide specialized transportation services to groups with special needs, such as seniors and disabled persons. In recent years, 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. To solve this problem, some providers of special needs transportation services have proposed that they be allowed to enter into joint self-insurance arrangements with other such providers or local government entities. Current law does not allow such joint self-insurance arrangements.

Self-insurance by local government entities: 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 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.

Local government entities are not authorized to establish joint self-insurance programs with nonprofit corporations.

Washington Nonprofit Corporation Act: The Washington Nonprofit Corporation 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. These enumerated powers do not reference subject matter related to the creation of self-insurance programs.

Private, nonprofit transportation provider: "Private, nonprofit transportation provider" is defined by statute as meaning 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.

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 must report to the Legislature by December 1, 2004, regarding the impact of the bill on self-insurance risk pools.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 5, 2003.

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

Testimony For: Nonprofit transportation providers make service available to help seniors and disabled persons to get work, school and medical appointments. They need affordable insurance to stay in business. They have experienced 200 percent to 400 percent premium rate increases. They help people who have no public transportation options.

Testimony Against: None.

Testified: Representative Clibborn, prime sponsor (pro); Mary Jo Cady, Community Transportation Assn. of NW (pro); Allen Hatten, WA State Transit Insurance Pool (pro).