

SENATE BILL REPORT

SB 5869

As Passed Senate, February 11, 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: Senators T. Sheldon, Winsley, Eide, Schmidt, Prentice and Kline.

Brief History:

Committee Activity: Financial Services, Insurance & Housing: 1/19/04, 1/20/04 [DP].
Passed Senate: 2/11/04, 48-1.

SENATE COMMITTEE ON FINANCIAL SERVICES, INSURANCE & HOUSING

Majority Report: Do pass.

Signed by Senators Benton, Chair; Winsley, Vice Chair; Berkey, Keiser, Murray, Prentice and Roach.

Staff: Joanne Conrad (786-7472)

Background: Self-insurance covers losses by setting aside money, rather than by purchasing an insurance policy. The business advantages of self-insurance are premium savings, including cost loadings, and protection against premium increases, especially in the event of high frequency, low severity losses.

Washington State statutes permit local government entities to self-insure. Self-insurance typically involves property and liability coverage, and may apply to other types of insurance as well.

Summary of Bill: Nonprofit corporations are allowed to self-insure, under the same conditions and with the same regulatory oversight as local government entities. Self-insured entities are subject to audit, and can provide for their own risk management and legal counsel.

Conditions for self-insurance include filing with the State Risk Manager, and being subject to standards of management, solvency, actuarial analyses and claims audits. Self-insurance programs approved by the State Risk Manager must file annual reports.

Self-insured entities can individually or jointly purchase insurance or reinsurance with other nonprofit corporations. They can also contract jointly for risk management, claims and administrative services.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: This would help nonprofits.

Testimony Against: None.

Testified: Kim Herman, WA State Housing Finance Commission (pro).

House Amendment(s): Nonprofit corporations are authorized to 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 regulations as are local government entities that form self-insurance risk pools.

There are exemptions from this act for 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.