

SENATE BILL REPORT

SB 6318

As of January 19, 2004

Title: An act relating to management of claims of insolvent self-insurers.

Brief Description: Providing for the management of claims of insolvent self-insured employers by a service organization or third-party administrator.

Sponsors: Senators Hewitt, T. Sheldon, Honeyford, Mulliken and Rasmussen.

Brief History:

Committee Activity: Commerce & Trade: 1/22/04.

SENATE COMMITTEE ON COMMERCE & TRADE

Staff: Jennifer Strus (786-7316)

Background: When a self-insurer stops paying workers' compensation benefits or assessments, and the default is not due to a claims administration decision, the Department of Labor and Industries (L&I) takes over the self-insurers surety and claims. L&I manages the claims and bills the surety each quarter to reimburse the benefits L&I has paid. When the surety is exhausted, the insolvency trust will be assessed quarterly to cover the claim costs paid on behalf of the defaulted self-insurer.

Summary of Bill: L&I must contract with a service organization or third-party administrator to manage the claims of insolvent self-insurers. The L&I director selects the service organization or third-party administrator through a competitive bidding process. At least two organizations or third-party administrators must submit bids or the claims will be managed by L&I. The service organization or third-party administrator who wins the bid has the authority to make all decisions regarding the claims of insolvent self-insurers.

L&I must annually audit the claims of insolvent self-insurers being managed by the service organization or third-party administrator. The audit must occur at the service organization or third-party administrator's offices.

The self-insurers' insolvency trust board has authority to request an independent audit of an insolvent self-insurer's claim files for the following purposes: to determine whether the claims are being properly managed; to make recommendations for handling claims; to improve the program; and to ensure compliance with the law governing self-insurers.

Appropriation: None.

Fiscal Note: Requested on January 18, 2004.

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