
SUBSTITUTE HOUSE BILL 1840

State of Washington

58th Legislature

2004 Regular Session

By 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)

READ FIRST TIME 03/05/03.

1 AN ACT Relating to authorizing nonprofit corporations to
2 participate in self-insurance risk pools; amending RCW 48.62.021;
3 adding a new section to chapter 48.62 RCW; and creating new sections.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature finds that recent increases
6 in insurance premiums experienced by some nonprofit organizations have
7 the potential to negatively impact the ability of these organizations
8 to continue to offer the level of service they provide in our
9 communities. The legislature finds that nonprofit organizations are
10 distinct from private for-profit businesses. By their very nature,
11 nonprofit organizations are formed for purposes other than generating
12 a profit, and are restricted from distributing any part of the
13 organization's income to its directors or officers. Because of these
14 characteristics, nonprofit organizations provide a unique public good
15 to the residents in our state.

16 The legislature finds that in order to sustain the financial
17 viability of nonprofit organizations, they should be provided with
18 alternative options for insuring against risks. The legislature
19 further finds that local government entities and nonprofit

1 organizations share the common goal of providing services beneficial to
2 the public interest. The legislature finds that allowing nonprofit
3 organizations and local government entities to pool risk in self-
4 insurance risk pools may be of mutual benefit for both types of
5 entities. Therefore it is the intent of the legislature to allow
6 nonprofit organizations and local government entities to individually
7 or jointly participate in self-insurance risk pools.

8 **Sec. 2.** RCW 48.62.021 and 2002 c 332 s 24 are each amended to read
9 as follows:

10 Unless the context clearly requires otherwise, the definitions in
11 this section apply throughout this chapter.

12 (1) "Local government entity" or "entity" means every unit of local
13 government, both general purpose and special purpose, and includes, but
14 is not limited to, counties, cities, towns, port districts, public
15 utility districts, water-sewer districts, school districts, fire
16 protection districts, irrigation districts, metropolitan municipal
17 corporations, conservation districts, and other political subdivisions,
18 governmental subdivisions, municipal corporations, and quasi-municipal
19 corporations.

20 (2) "Risk assumption" means a decision to absorb the entity's
21 financial exposure to a risk of loss without the creation of a formal
22 program of advance funding of anticipated losses.

23 (3) "Self-insurance" means a formal program of advance funding and
24 management of entity financial exposure to a risk of loss that is not
25 transferred through the purchase of an insurance policy or contract.

26 (4) "Health and welfare benefits" means a plan or program
27 established by a local government entity or entities for the purpose of
28 providing its employees and their dependents, and in the case of school
29 districts, its district employees, students, directors, or any of their
30 dependents, with health care, accident, disability, death, and salary
31 protection benefits.

32 (5) "Property and liability risks" includes the risk of property
33 damage or loss sustained by a local government entity and the risk of
34 claims arising from the tortious or negligent conduct or any error or
35 omission of the local government entity, its officers, employees,
36 agents, or volunteers as a result of which a claim may be made against
37 the local government entity.

1 (6) "State risk manager" means the risk manager of the risk
2 management division within the office of financial management.

3 (7) "Nonprofit corporation" has the same meaning as defined in RCW
4 24.03.005(3).

5 (8) "Private, nonprofit transportation provider" has the same
6 meaning as defined in RCW 81.66.010(3).

7 NEW SECTION. Sec. 3. A new section is added to chapter 48.62 RCW
8 to read as follows:

9 (1) A nonprofit corporation that is a private, nonprofit
10 transportation provider in accordance with chapter 81.66 RCW may form
11 or join a self-insurance program with a local government entity or
12 entities, and may jointly purchase insurance or reinsurance with a
13 local government entity or entities for property and liability risks,
14 and health and welfare benefits.

15 (2) A nonprofit corporation that is a private, nonprofit
16 transportation provider in accordance with chapter 81.66 RCW that
17 participates in a self-insurance program with a local government entity
18 or entities, as provided in subsection (1) of this section, is subject
19 to the same rules and regulations that apply to a local government
20 entity or entities under this chapter.

21 NEW SECTION. Sec. 4. The state risk manager shall report to the
22 appropriate policy committees of the legislature by December 1, 2004,
23 regarding the implementation of section 3 of this act, and the report
24 must include:

25 (1) The number and description of each private, nonprofit
26 transportation provider participating in a self-insurance risk pool
27 with a local governmental entity or entities;

28 (2) The impact of the participation of private, nonprofit
29 transportation providers on self-insurance risk pools; and

30 (3) The financial soundness of each risk pool that includes
31 private, nonprofit transportation providers.

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