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ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1840

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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 01/27/04.

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 a new section.

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 property and liability insurance premiums experienced by some  
7 nonprofit organizations have the potential to negatively impact the  
8 ability of these organizations to continue to offer the level of  
9 service they provide in our communities. The legislature finds that  
10 nonprofit organizations are distinct from private for-profit  
11 businesses. By their very nature, nonprofit organizations are formed  
12 for purposes other than generating a profit, and are restricted from  
13 distributing any part of the organization's income to its directors or  
14 officers. Because of these characteristics, nonprofit organizations  
15 provide a unique public good 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 to form or participate in self-insurance risk  
7 pools with other nonprofit organizations or with local government  
8 entities where authority for such risk pooling arrangements does not  
9 currently exist in state or federal law.

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

12 Unless the context clearly requires otherwise, the definitions in  
13 this section apply throughout this chapter.

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

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

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

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

34 (5) "Property and liability risks" includes the risk of property  
35 damage or loss sustained by a local government entity and the risk of  
36 claims arising from the tortious or negligent conduct or any error or

1 omission of the local government entity, its officers, employees,  
2 agents, or volunteers as a result of which a claim may be made against  
3 the local government entity.

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

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

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

10 (1) A nonprofit corporation may form or join a self-insurance risk  
11 pool with one or more nonprofit corporations or with a local government  
12 entity or entities for property and liability risks.

13 (2) A nonprofit corporation that participates in or forms a self-  
14 insurance risk pool with one or more nonprofit corporations or with a  
15 local government entity or entities, as provided in subsection (1) of  
16 this section, is subject to the same rules and regulations that apply  
17 to a local government entity or entities under this chapter.

18 (3) This section does not apply to a nonprofit corporation that:

- 19 (a) Individually self-insures for property and liability risks;
- 20 (b) Participates in a risk pooling arrangement, including a risk  
21 retention group or a risk purchasing group, regulated under chapter  
22 48.92 RCW, or is a captive insurer authorized in its state of domicile;  
23 or

24 (c) Is a hospital licensed under chapter 70.41 RCW or an entity  
25 owned, operated, controlled by, or affiliated with such a hospital that  
26 participates in a self-insurance risk pool or other risk pooling  
27 arrangement, unless the self-insurance pool or other risk pooling  
28 arrangement for property and liability risks includes a local  
29 government entity.

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