
HOUSE BILL 3108

State of Washington 58th Legislature 2004 Regular Session

By Representatives Conway and Chase

Read first time 01/28/2004. Referred to Committee on Commerce & Labor.

1 AN ACT Relating to oversight of industrial insurance premium rates;
2 amending RCW 51.16.035; adding a new section to chapter 51.16 RCW; and
3 creating a new section.

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

5 **Sec. 1.** RCW 51.16.035 and 1999 c 7 s 8 are each amended to read as
6 follows:

7 (1) The department shall classify all occupations or industries in
8 accordance with their degree of hazard and fix therefor basic rates of
9 premium which shall be:

10 (a) The lowest necessary to maintain actuarial solvency of the
11 accident and medical aid funds in accordance with recognized insurance
12 principles; and

13 (b) Designed to attempt to limit fluctuations in premium rates.

14 (2) The department shall formulate and adopt rules ((and
15 regulations)):

16 (a) Governing the method of premium calculation and collection and
17 providing for a rating system consistent with recognized principles of
18 workers' compensation insurance which shall be designed to stimulate
19 and encourage accident prevention and to facilitate collection. The

1 department may annually, or at such other times as it deems necessary
2 to (~~maintain solvency of the funds~~) achieve the objectives under this
3 section, readjust rates in accordance with the rating system to become
4 effective on such dates as the department may designate; and

5 (b) In consultation with the workers' compensation advisory
6 committee:

7 (i) Regarding the level of the contingency reserve needed to
8 maintain actuarial solvency of the accident and medical aid funds and
9 limit premium rate fluctuations. This may include more than one level,
10 with the level in effect to be determined by economic factors or other
11 conditions specified in the rules; and

12 (ii) When the level of the contingency reserve exceeds the amount
13 required under the rules:

14 (A) Prohibiting dividends or other similar measures that give
15 refunds, or account credits, to employers of premiums paid or of
16 surplus funds; and

17 (B) Establishing a process under which the department may
18 temporarily reduce rates below the rates fixed under subsection (1) of
19 this section, but only if: (I) Employers are notified of the fixed
20 rate, the temporary rate, the period over which the temporary rate
21 applies, and the reason for adopting a reduced rate; and (II) the
22 appropriate committees of the legislature are notified of any proposed
23 action under this subsection (2)(b)(ii)(B) at least sixty days before
24 taking the action.

25 ~~((+2))~~ (3) In providing a retrospective rating plan under RCW
26 51.18.010, the department may consider each individual retrospective
27 rating group as a single employing entity for purposes of dividends or
28 premium discounts.

29 NEW SECTION. Sec. 2. A new section is added to chapter 51.16 RCW
30 to read as follows:

31 (1) Within ten working days after the department files proposed
32 rules adopting industrial insurance rates, the department shall, at the
33 request of either the labor members or the business members of the
34 workers' compensation advisory committee, or both, contract for an
35 independent actuarial audit of the rate-setting process. The scope of
36 the audit may include, but is not limited to, a review of whether the
37 assumptions used by the department in setting rates are appropriate to

1 ensure actuarial solvency of the accident and medical aid funds as
2 required in RCW 51.16.035, and whether the department's rate-setting
3 process is appropriately designed to limit premium rate fluctuations.

4 (2) The results of the actuarial audit, and any auditor
5 recommendations, must be reported to the workers' compensation advisory
6 committee, the governor, and the appropriate committees of the
7 legislature.

8 (3) The cost of the audit shall be paid from the accident and
9 medical aid funds.

10 NEW SECTION. **Sec. 3.** Section 1 of this act applies to industrial
11 insurance rates adopted by the department of labor and industries that
12 take effect on or after January 1, 2005.

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