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**SUBSTITUTE SENATE BILL 6034**

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**State of Washington                      59th Legislature                      2005 Regular Session**

**By** Senate Committee on Labor, Commerce, Research & Development  
(originally sponsored by Senators Brown and Kohl-Welles)

READ FIRST TIME 03/02/05.

1            AN ACT Relating to industrial insurance premium rates; and amending  
2            RCW 51.16.035.

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

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

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

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

12           (ii) Designed to attempt to reduce volatility in premiums, by  
13           establishing rates of premium based upon historical rates of investment  
14           return and other recognized insurance principles.

15           (b) The department shall, in consultation with the workers'  
16           compensation advisory committee, adopt rules regarding the level of  
17           assets needed to maintain actuarial solvency of the accident and  
18           medical aid funds in accordance with this subsection. The department  
19           and the workers' compensation advisory committee shall consider the

1 level of assets customarily used by private insurers offering workers'  
2 compensation insurance in other states and other states' workers'  
3 compensation funds.

4 (c) When the level of assets exceeds the amount required under the  
5 rules, the department may temporarily reduce rates below the rates  
6 fixed under this subsection, but only if: (i) Employers are notified  
7 of the fixed rate, the temporary rate, the period over which the  
8 temporary rate applies, and the reason for adopting a reduced rate; and  
9 (ii) the appropriate committees of the legislature are notified of any  
10 such proposed action at least sixty days before taking the action. The  
11 department shall not provide dividends or other similar measures that  
12 give refunds, rebates, or account credits, to employers or employees of  
13 premiums paid or of surplus funds. Nothing in this act shall be  
14 construed to affect the retrospective rating program under chapter  
15 51.18 RCW.

16 (d) The department shall formulate and adopt rules ((and  
17 regulations)) governing the method of premium calculation and  
18 collection and providing for a rating system consistent with recognized  
19 principles of workers' compensation insurance which shall be designed  
20 to reduce premium volatility, to stimulate and encourage accident  
21 prevention, and to facilitate collection. The department may annually,  
22 or at such other times as it deems necessary to ((maintain solvency of  
23 the funds)) achieve the objectives under (a) of this subsection,  
24 readjust rates in accordance with the rating system to become effective  
25 on such dates as the department may designate.

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

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