SENATE BILL REPORT
SB 6732

As Reported by Senate Committee On:
Labor, Commerce & Consumer Protection, February 2, 2010

Title: An act relating to claims of insolvent self-insurers under industrial insurance.

Brief Description: Addressing claims of insolvent self-insurers under industrial insurance.

Sponsors: Senators Kohl-Welles, Holmquist, Keiser, Honeyford and Shin.

Brief History:
Committee Activity: Labor, Commerce & Consumer Protection: 2/01/10, 2/02/10 [DP].

SENATE COMMITTEE ON LABOR, COMMERCE & CONSUMER PROTECTION

Majority Report: Do pass.
Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Franklin, Honeyford, King and Kline.

Staff: Mac Nicholson (786-7445)

Background: Qualified employers may self-insure for workers compensation purposes. To be certified as self-insured, an employer must demonstrate to the Department of Labor and Industries (L&I) that the employer has sufficient financial ability to ensure prompt payment of compensation to its injured workers. L&I requires self-insurers to provide surety to cover the self-insurer's industrial insurance liabilities. The surety can be cash, corporate or governmental securities, a bond, or a letter of credit.

If a self-insurer defaults on any industrial insurance obligation, L&I may take steps to fulfill the defaulting employer's obligations from the surety deposit. If the surety is exhausted, costs are paid from a self-insurer's Insolvency Trust Fund. Private self-insured employers pay an assessment into the trust in proportion to their claim costs.

When a worker with a previous disability suffers a work related injury and dies or becomes totally and permanently disabled from the combined effects of the disability and injury, a state-fund employer will be charged only for the costs which would have resulted solely form the second injury had there been no preexisting disability. If the employer is self-insured, the employer must pay into the pension reserve fund the costs which would have resulted solely from the second injury had there been no previous disability. The difference between the

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amount charged to the employer and the total cost of the pension is assessed against the second injury fund.

Summary of Bill: The balance of a self-insured's surety bond will be deposited into the insolvency trust fund if the self-insured employer has been in default for ten years and all claims against the employer are closed.

In second injury cases where the self-insured employer is in default or had their certificate of self-insurance revoked, the amount paid into the pension reserve fund must be taken from the employer's surety deposit. If the surety deposit is insufficient, any remaining costs will be assessed against the insolvency trust fund.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This is a simple, technical bill. The bill addresses an equity issue for public and private employers, and it makes sense to put any remaining surety deposits into the insolvency trust fund after all claims are closed.

Persons Testifying: PRO: Kathleen Collins, Washington Self Insurer's Association.