
Labor & Workforce Development Committee

SSB 6179

Brief Description: Authorizing workers' compensation group self-insurance plans.

Sponsors: Senate Committee on Commerce & Labor (originally sponsored by Senators Braun, Benton, Becker, Sheldon, Baumgartner, Brown, Schoesler, Rivers, Honeyford, Tom, Hewitt and Parlette).

<p style="text-align: center;">Brief Summary of Substitute Bill</p> <ul style="list-style-type: none">• Permits group self-insurance for industrial insurance for employers who are substantially similar.

Hearing Date: 2/26/14

Staff: Joan Elgee (786-7106).

Background:

Under the state's industrial insurance laws, employers must insure through the State Fund administered by the Department of Labor and Industries (Department) or, if qualified, may self-insure. Self-insured employers pay for benefits out of their funds and manage most aspects of the claims of their employees. Self-insured employers also pay certain assessments to the Department. To qualify as a self-insurer, an employer must demonstrate sufficient financial ability to make prompt payment of all benefits and assessments that may become due. The requirements established by rule include that a self-insurer must have at least \$25 million in total assets and positive earnings in two of the last three years. A self-insured employer must also provide surety to cover its liabilities.

Self-insurance for groups is limited to school districts, educational service districts, and two types of hospitals.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill:

Any group of employers who are substantially similar may adopt a plan for group self-insurance. "Substantially similar" means private employers who are affiliated with the same industry, line of work, or trade, or public employers who are of the same type of government entity. A self-insurance group may not include both private and public employers. Under a group self-insurance plan, the group must assume the liability of all the member employers within the group and pay all benefits and all assessments for which the member employers are liable. Each member employer of the group is responsible, jointly and severally, for all liabilities of the group while the employer is a member of the group.

A group of employers seeking to qualify as a group self-insurer must apply for certification to the Department. Each member of the group must also file a copy of a participation indemnity agreement that jointly and severally binds the group and every member to meet the industrial insurance obligations of each member. The Department may require submission of copies of agreements, contracts, and other pertinent documents relating to the group. A group self-insurer may secure the services of a group administrator. The Department may issue a certification of group self-insurance if the group meets all the certification requirements and has submitted all the reports, records, and other information required by the self-insured application process. The group self-insurer is subject to the orders and decisions rendered against a participating member for the payment of industrial insurance benefits. Notice or knowledge of an industrial injury on the part of a member is notice or knowledge on the part of the group self-insurer. Self insurance provisions apply to group self-insurers.

A group self-insurer must form a group insolvency trust or other mechanism to be used as the exclusive mechanism to provide for payment of benefits to injured workers of employers participating in the group in the case of insolvency of one or more members of the group.

The membership of an individual member is subject to cancellation by the group, and an individual member may also elect to terminate participation in the group. A member who terminates or whose membership is canceled remains liable for the industrial insurance obligations of the group and its members incurred during the member's period of membership. Any member terminating membership in a group self-insurer after less than four years, and any member in a group that has defaulted, may not obtain prospective coverage from any group self-insurer for a period of at least three years.

The Department is granted rulemaking authority and must develop rules to:

- govern the formation of self-insurance groups;
- govern the organization and operation of groups to assure their compliance with the requirements for group self-insurers;
- require adequate monetary reserves, determined under accepted actuarial practices, to be maintained by each group to assure financial solvency of the group;
- require an insolvency trust or similar mechanism to provide for payment of benefits in the case of insolvency of one or more members of the group; and
- require each group to carry adequate reinsurance.

Appropriation: None.

Fiscal Note: Requested on February 6, 2014.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.