

# SENATE BILL REPORT

## SHB 2152

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As of February 27, 2014

**Title:** An act relating to industrial insurance requirements and options for owners and lessees of for hire vehicles, limousines, and taxicabs.

**Brief Description:** Addressing industrial insurance requirements and options for owners and lessees of for hire vehicles, limousines, and taxicabs.

**Sponsors:** House Committee on Labor & Workforce Development (originally sponsored by Representatives Habib, Sells, Hunter, Fitzgibbon, Ryu, Reykdal, Orwall, Gregerson, Riccelli and Pike).

**Brief History:** Passed House: 2/07/14, 93-1.

**Committee Activity:** Commerce & Labor: 2/19/14.

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### SENATE COMMITTEE ON COMMERCE & LABOR

**Staff:** Mac Nicholson (786-7445)

**Background:** Most workers in the state are covered by mandatory industrial insurance. Independent contractors who meet certain tests, however, are not covered. Whether or not a worker is an independent contractor is established on a case-by-case determination and is based on a multi-part test. Elective coverage is available for workers who are not subject to mandatory coverage.

In 2011 legislation was enacted addressing industrial insurance for operators of for-hire vehicles, limousines, and taxicabs regulated by local jurisdictions. All operators, including owner operators of for-hire vehicles, limousines, and locally regulated taxicabs are covered and the owner of the vehicle is responsible for the premiums. Under a Department of Labor and Industries (L&I) rule, owners may report premiums on a per-vehicle, per-driver, or actual-hours basis. Vehicle owners are eligible for inclusion in a retrospective rating program. The legislation also authorized L&I to appoint an advisory panel to assist L&I with controlling costs related to the self-monitoring of claims.

If premiums are not paid, the business license and vehicle certificate can be suspended or revoked. Failure to produce evidence of payment of the premium on demand of a law enforcement officer is a civil infraction for the owner and operator. The legislation also specifically addressed locally regulated taxicabs. Local jurisdictions setting rates for taxicab

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services must adjust rates to accommodate changes in the cost of industrial insurance or in other industry-wide costs. Owners of locally regulated taxicabs who lease the vehicle must make a reasonable effort to train drivers in vehicle operation and safety, and to monitor compliance, including by cameras.

**Summary of Bill:** Operators of for-hire vehicles, limousines, and taxicabs who own or lease the vehicle are exempt from mandatory industrial insurance, but may elect coverage.

Provisions relating to mandatory coverage and penalties for failure to pay premiums are repealed. The authority for L&I to have an advisory panel is retained but the reference to controlling costs is deleted. Lessees, in addition to owners, are eligible for inclusion in a retrospective rating program.

Local jurisdictions setting rates for taxicab services must adjust rates to accommodate increases or decreases, rather than changes, in the cost of industrial insurance. The reference to other industry-wide costs is removed. In addition, local jurisdictions that regulate lease rates must also adjust rates to accommodate increases or decreases in the cost of industrial insurance. Changes in lease rates take effect upon entry into a new lease. Both rates for taxicab services and lease rates must be adjusted by September 1, 2014, and at least every two years thereafter.

**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 bill simply aligns independent contractors and sole proprietors in this industry with independent contractors and sole proprietors in all other industries. These drivers have commercial auto insurance and personal health insurance, so there are redundant systems to cover the liabilities of workplace injuries to these sole proprietors. This bill gives operators a choice, and they already have their own insurance. Owners cannot afford to pay L&I insurance on top of what they already have to pay.

CON: The brilliance of the 2011 legislation was that it reduced the administrative burden of keeping track of hours of all the individuals who drove the taxi during the week. The costs of coverage from L&I have been over-stated. This bill undoes the progress made in 2011. If this bill passes, it will result in an unbalanced situation for those who have employees, as they would have to compete against the independent owners who do not have to pay for coverage. Health care and auto insurance do not provide for long-term disability so costs for serious injuries could be borne by the state or taxpayers. The taxi industry is a dangerous industry, and the 2011 legislation was a model of how coverage should be provided.

**Persons Testifying:** PRO: Representative Habib, prime sponsor; Mike Megenta, Daljinder Singh, Satinder Kharbanda, Mike Judd, Members, Western WA Taxicab Operators Assn.; Dawn Gearhart, Business Representative, Western WA Taxicab Operators Assn.

CON: Shannon Stewart, Clark County Cab Co., operations manager; Chris Van Dyk, Evergreen State Taxi Assn., Wheelchair Accessible Taxicab, Green Cab Taxi Assn.; Getahun Adare, Adane Tedla, Green Cab; Larry Stevens, Evergreen State Taxi Assn.; Steve Salins, citizen.