

# SENATE BILL REPORT

## SB 5722

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As of February 16, 2015

**Title:** An act relating to premiums on policies issued through the Washington longshore and harbor workers' compensation act insurance assigned risk plan.

**Brief Description:** Addressing premiums on policies issued through the Washington longshore and harbor workers' compensation act insurance assigned risk plan.

**Sponsors:** Senators Benton and Conway.

**Brief History:**

**Committee Activity:** Commerce & Labor:

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### SENATE COMMITTEE ON COMMERCE & LABOR

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

**Background:** The United States Longshore and Harbor Workers' Compensation Act (USL&H) is a federal law that provides for the payment of compensation, medical care, and vocational rehabilitation services to employees disabled from on-the-job injuries that occur on the navigable waters of the United States, or in adjoining areas customarily used in the loading, unloading, repairing, or building of a vessel. The state industrial insurance act does not cover employees covered by the USL&H. Employers subject to the federal law must secure payment of compensation through the purchase of private USL&H insurance or by obtaining authorization from the federal government to be self-insured.

Employers who cannot secure USL&H coverage through the private insurance market can obtain coverage through the Washington USL&H assigned risk plan. The state industrial insurance fund and all private insurers writing USL&H compensation insurance in the state participate in the assigned risk plan. An insurer designated by the risk plan and approved by the Office of the Insurance Commissioner issues policies on behalf of the risk plan.

The Washington Insurance Guaranty Association (WIGA) is an entity created in statute that assumes the processing and payment of covered claims in the event an insurance company becomes insolvent. WIGA is largely funded by insurance industry assessments of member insurers, which are collected following insolvencies. These assessments raise funds to pay claims and administrative and other costs related to WIGA's claim-paying activities. WIGA's assessments are based on the net direct written premiums of the insurer. For USL&H

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insurers, the assessment is at a rate to be determined by WIGA but is capped at an annual rate of 3 percent of the insurer's net direct written premium on USL&H insurance for the preceding calendar year. The net direct written premium is amount of total premiums received by the insurance company on policies written in Washington.

**Summary of Bill:** The definition of net direct written premiums is modified to exclude premiums on policies issued on behalf of the Washington USL&H assigned risk plan by its servicing carrier.

**Appropriation:** None.

**Fiscal Note:** Available on companion (HB 1475).

**Committee/Commission/Task Force Created:** No.

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