

# FINAL BILL REPORT

## HB 1431

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Synopsis as Enacted

**Brief Description:** Concerning joint self-insurance programs for property and liability risks.

**Sponsors:** Representatives Kirby and Vick; by request of Board of Pilotage Commissioners.

**House Committee on Consumer Protection & Business**

**Senate Committee on Financial Institutions, Economic Development & Trade**

### **Background:**

#### The Washington State Board of Pilotage Commissioners.

The Board of Pilotage Commissioners (Board) is comprised of nine members; the assistant secretary of the Washington State Department of Transportation, the Director of the Department of Ecology, and seven members appointed by the Governor. The Board may adopt rules to administer the State pilotage laws, issue training and pilot licenses, establish a comprehensive training program to train and evaluate pilots for licensing, fix annual pilotage tariffs, and establish standards for reporting and investigating incidents involving state-piloted vessels.

#### Joint Self-Insurance Program.

Various types of joint self-insurance programs are authorized for different types of entities, which are generally regulated by the State Risk Manager (Risk Manager). There is a local government joint self-insurance program, as well as joint self-insurance programs for affordable housing entities, nonprofit corporations, and public benefit hospital entities.

Separate from these programs, the Risk Manager implements the Washington Self-Insurance Liability Program to finance the payment of tort claims against the state. The Risk Manager charges participating state agencies an assessment to participate, which is an amount of money based on a formula considering the previous six years of incurred losses.

Through a local government joint self-insurance program, the governing body of a local government entity may individually self-insure, may join or form a self-insurance program together with other entities, and may jointly purchase insurance or reinsurance with other entities for property and liability risks, and health and welfare benefits. In addition, the entity or entities may contract for or hire personnel to provide risk management, claims, and administrative services.

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The assets of a joint self-insurance program may be invested only in accordance with the general investment authority that participating local government entities possess as a governmental entity. A local government joint self-insurance program may contract indebtedness and sell revenue bonds evidencing the indebtedness and may accept loans of the proceeds of the bonds. The Risk Manager has rule-making authority pertaining to local government joint self-insurance programs and must adopt rules governing the management and operation of both individual and joint local government self-insurance programs covering property or liability risks, as well as individual and joint local government self-insured health and welfare benefits programs.

Prior approval of a program is required for joint local government self-insurance programs for property and liability risks. The entities or entity proposing the program's creation must submit a plan of management and operation to the Risk Manager and the State Auditor that provides specific information, including information about the covered risks, the amount and methods of financing, proposed claim reserving practices, the form of a joint program and member agreement, proposed accounting, a professional analysis of the proposal's feasibility, and other information. Generally, every joint self-insurance program covering liability or property risks must provide for the contingent liability of participants in the program if assets of the program are insufficient to cover the program's liabilities.

**Summary:**

The Board of Pilotage Commissioners (Board) may participate in a local government joint self-insurance program covering liability risks.

**Votes on Final Passage:**

House	97	0
Senate	46	0

**Effective:** July 28, 2019