
HOUSE BILL 1842

State of Washington

69th Legislature

2025 Regular Session

By Representatives Steele and Barnard

Read first time 02/05/25. Referred to Committee on Environment & Energy.

1 AN ACT Relating to allowing public utility districts to form,
2 own, or use captive insurers; amending RCW 48.62.011, 48.62.031, and
3 48.201.020; and adding a new section to chapter 54.04 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 48.62.011 and 2019 c 26 s 1 are each amended to read
6 as follows:

7 (1) This chapter is intended to provide the exclusive source of
8 local government entity authority to individually or jointly self-
9 insure risks, jointly purchase insurance or reinsurance, become a
10 captive owner as defined in RCW 48.201.020, and to contract for risk
11 management, claims, and administrative services. This chapter shall
12 be liberally construed to grant local government entities maximum
13 flexibility in self-insuring to the extent the self-insurance
14 programs are operated in a safe and sound manner. This chapter is
15 intended to require prior approval for the establishment of every
16 individual local government self-insured employee health and welfare
17 benefit program and every joint local government self-insurance
18 program. In addition, this chapter is intended to require every local
19 government entity that establishes a self-insurance program not
20 subject to prior approval to notify the state of the existence of the
21 program and to comply with the regulatory and statutory standards

1 governing the management and operation of the programs as provided in
2 this chapter. This chapter is not intended to authorize or regulate
3 self-insurance of unemployment compensation under chapter 50.44 RCW,
4 or industrial insurance under chapter 51.14 RCW.

5 (2) This chapter is further intended to enable the board of
6 pilotage commissioners to participate in a local government joint
7 self-insurance program covering liability risks.

8 **Sec. 2.** RCW 48.62.031 and 2019 c 26 s 3 are each amended to read
9 as follows:

10 (1) The governing body of a local government entity may
11 individually self-insure, may join or form a self-insurance program
12 together with other entities, including the board of pilotage
13 commissioners, and may jointly purchase insurance or reinsurance with
14 those other entities for property and liability risks, and health and
15 welfare benefits only as permitted under this chapter. In addition,
16 the entity or entities may contract for or hire personnel to provide
17 risk management, claims, and administrative services in accordance
18 with this chapter.

19 (2) The agreement to form a joint self-insurance program shall be
20 made under chapter 39.34 RCW and may create a separate legal or
21 administrative entity with powers delegated thereto.

22 (3) Every individual and joint self-insurance program is subject
23 to audit by the state auditor.

24 (4) If provided for in the agreement or contract established
25 under chapter 39.34 RCW, a joint self-insurance program may, in
26 conformance with this chapter:

27 (a) Contract or otherwise provide for risk management and loss
28 control services;

29 (b) Contract or otherwise provide legal counsel for the defense
30 of claims and other legal services;

31 (c) Consult with the state insurance commissioner and the state
32 risk manager;

33 (d) Jointly purchase insurance and reinsurance coverage in such
34 form and amount as the program's participants agree by contract;

35 (e) Obligate the program's participants to pledge revenues or
36 contribute money to secure the obligations or pay the expenses of the
37 program, including the establishment of a reserve or fund for
38 coverage; and

1 (f) Possess any other powers and perform all other functions
2 reasonably necessary to carry out the purposes of this chapter.

3 (5) A self-insurance program formed and governed under this
4 chapter that has decided to assume a risk of loss must have available
5 for inspection by the state auditor a written report indicating the
6 class of risk or risks the governing body of the entity has decided
7 to assume.

8 (6) Every joint self-insurance program governed by this chapter
9 shall appoint the risk manager as its attorney to receive service of,
10 and upon whom shall be served, all legal process issued against it in
11 this state upon causes of action arising in this state.

12 (a) Service upon the risk manager as attorney shall constitute
13 service upon the program. Service upon joint insurance programs
14 subject to chapter 30, Laws of 1991 sp. sess. can be had only by
15 service upon the risk manager. At the time of service, the plaintiff
16 shall pay to the risk manager a fee to be set by the risk manager,
17 taxable as costs in the action.

18 (b) With the initial filing for approval with the risk manager,
19 each joint self-insurance program shall designate by name and address
20 the person to whom the risk manager shall forward legal process so
21 served upon him or her. The joint self-insurance program may change
22 such person by filing a new designation.

23 (c) The appointment of the risk manager as attorney shall be
24 irrevocable, shall bind any successor in interest or to the assets or
25 liabilities of the joint self-insurance program, and shall remain in
26 effect as long as there is in force in this state any contract made
27 by the joint self-insurance program or liabilities or duties arising
28 therefrom.

29 (d) The risk manager shall keep a record of the day and hour of
30 service upon him or her of all legal process. A copy of the process,
31 by registered mail with return receipt requested, shall be sent by
32 the risk manager, to the person designated for the purpose by the
33 joint self-insurance program in its most recent such designation
34 filed with the risk manager. No proceedings shall be had against the
35 joint self-insurance program, and the program shall not be required
36 to appear, plead, or answer, until the expiration of forty days after
37 the date of service upon the risk manager.

38 (7) Public utility districts established under Title 54 RCW may
39 form, own, or use captive insurers in accordance with chapter 48.201
40 RCW.

1 **Sec. 3.** RCW 48.201.020 and 2021 c 281 s 2 are each amended to
2 read as follows:

3 The definitions in this section apply throughout this chapter
4 unless the context clearly requires otherwise.

5 (1) "Affiliate" means an entity directly or indirectly
6 controlling, controlled by, or under common control with another
7 entity, such as a parent or a subsidiary corporation. "Affiliate"
8 also means any person that holds an insured interest because that
9 person has or had an employment or sales contract with an insured
10 person.

11 (2) "Captive owner" means one of the following:

12 (a) An entity that is organized under Title 23B, 24, or 25 RCW,
13 or analogous provisions of the law of another state or territory;
14 (~~or~~)

15 (b) A public institution of higher education; or

16 (c) A municipal corporation organized under Title 54 RCW.

17 (3) "Casualty insurance" has the same meaning as "general
18 casualty insurance" as defined in RCW 48.11.070.

19 (4) "Control" means possession of the power to direct the
20 management and policies of an entity through ownership of voting
21 securities, by contract, or otherwise.

22 (5) "Eligible captive insurer" means an insurance company with
23 the following characteristics:

24 (a) It is wholly or partially owned by a captive owner or, by
25 contract, the captive owner is a participant or member of the
26 insurance company;

27 (b) It insures risks of the captive owner, the captive owner's
28 other affiliates, or both;

29 (c) One or more of its insureds have their principal place of
30 business in Washington;

31 (d) It has assets that exceed its liabilities by at least
32 \$1,000,000 and has the ability to pay its debts as they come due,
33 both as verified by audited financial statements prepared by an
34 independent certified accountant; and

35 (e) It is licensed as a captive insurer by the jurisdiction in
36 which it is domiciled.

37 (6) "Property insurance" has the same meaning as in RCW
38 48.11.040.

39 (7) "Public institution of higher education" means an institution
40 of higher education as defined in RCW 28B.10.016.

1 NEW SECTION. **Sec. 4.** A new section is added to chapter 54.04
2 RCW to read as follows:
3 A public utility district may be a captive owner as defined in
4 RCW 48.201.020.

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