

# HOUSE BILL REPORT

## SHB 1938

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**As Reported By House Committee On:**  
Financial Institutions & Insurance

**Title:** An act relating to administration of the responsibilities of self-insurers.

**Brief Description:** Modifying the administration of the responsibilities of self-insurers.

**Sponsors:** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives L. Thomas, Mielke, Horn and Reams).

**Brief History:**

**Committee Activity:**

Financial Institutions & Insurance: 1/11/96, 1/18/96, 1/25/96 [DP2S].

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass. Signed by 9 members: Representatives L. Thomas, Chairman; Beeksma, Vice Chairman; Smith, Vice Chairman; Benton; Dyer; Grant; Huff; Pelesky and D. Sommers.

**Minority Report:** Do not pass. Signed by 5 members: Representatives Wolfe, Ranking Minority Member; Scheuerman, Assistant Ranking Minority Member; Dellwo; Keiser and Kessler.

**Staff:** Charlie Gavigan (786-7340).

**Background:** Employers covered by industrial insurance law must insure their responsibilities under the law by self-insuring or by purchasing insurance from the Department of Labor and Industries. Employers that self-insure must meet statutory requirements.

An employer who self-insures may reinsure up to 80 percent of its liabilities with any company authorized to transact reinsurance in Washington. The reinsurer may not participate in the administration of the employer's self-insurance program.

**Summary of Second Substitute Bill:** A subsidiary, holding company, or affiliated legal entity of a reinsurer of a self-insurer's liability under industrial insurance law may participate in the administration of the self-insurance program if the subsidiary,

holding company, or affiliated legal entity does not provide reinsurance and if the participation does not conflict with fiduciary duties.

**Second Substitute Bill Compared to Substitute Bill:** Clarification is added that participation in the administration of the self-insurance program cannot violate fiduciary duties. Technical changes are also made.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** This bill will increase competition by increasing the number of organizations that will be able to provide reinsurance. Currently, some companies are precluded by the limitations on reinsurers who are affiliated with administrators.

**Testimony Against:** This legislation benefits a small number of companies while breaching the existing firewall between claims adjudication and the insurer's desire to minimize expenses. For industrial insurance, affiliated companies that perform both reinsurance and administration should choose one or the other, not both.

**Testified:** Lincoln Ferris, Eagle Group Insurance (supports); Steve Wehrly, Insurance Brokers (supports); Katrina Zitnik, Crawford and Company (opposes); Robert Stun, Washington State Labor Council (opposes); and Fred Culberson, Johnson and Culberson, Inc. (opposes).