

HOUSE BILL REPORT

HB 2780

As Reported By House Committee On:

Financial Institutions & Insurance

Title: An act relating to private school liability insurance.

Brief Description: Insuring private schools.

Sponsors: Representatives Chandler and L. Thomas.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/29/96, 2/1/96 [DPS].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives L. Thomas, Chairman; Beeksma, Vice Chairman; Wolfe, Ranking Minority Member; Scheuerman, Assistant Ranking Minority Member; Benton; Campbell; Dellwo; Grant; Huff; Keiser; Kessler; Pelesky and D. Sommers.

Staff: Charlie Gavigan (786-7340).

Background: Private schools are authorized under Washington law. Private schools must annually file a certification with the Superintendent of Public Instruction that the private school meets certain statutory requirements. Private schools must comply with rules relating to private schools promulgated by the State Board of Education.

Joint underwriting associations are statutorily created organizations to make insurance more affordable or accessible for certain activities. Generally, these associations make insurance available through the mandatory participation of all insurance companies providing a specific type of insurance. An association offers a policy based on a plan approved by the Insurance Commissioner. Currently, there are joint underwriting associations for midwives and birthing centers and for day care services. A self-insurance program is authorized for day care centers.

A self-insurance program is established for local governments. Local governments can pool their resources to self-insure their property and liability risks. The state risk manager regulates local government self-insurance programs.

Summary of Substitute Bill: Private schools are authorized to form joint self-insurance programs. These programs develop self-insurance plans that provide general liability coverage to member private schools that choose to participate in the program. The member private schools agree to pay premiums to the program, share the financial risks, and must have stop loss insurance to cover contingent liabilities that arise if losses exceed a certain level. The state risk manager must approve and regulate the programs, particularly regarding the financial stability of the programs. The programs must have audited statements compiled periodically and must file annual reports with the risk manager. The program must pay for the cost of regulation by the risk manager, and the state is not liable and cannot lend its credit.

Substitute Bill Compared to Original Bill: The joint underwriting association and the self-insurance program regulated through the Office of the Insurance Commissioner established in the original bill are both removed. Instead, joint self-insurance programs are authorized for private schools and are regulated through the state risk manager.

Appropriation: None.

Fiscal Note: Requested February 1, 1996.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed, except sections 1 through 9, which shall take effect July 1, 1996.

Testimony For: Currently, private schools are not able to self-insure jointly. A joint pooling of liability risks in a self-insurance program will help private schools, especially the smaller ones. A joint self-insurance program for private schools could be regulated by the risk manager, who has experience regulating similar pools for local governments.

Testimony Against: This bill is not necessary because the regular insurance market provides property and liability insurance that is available and affordable for private schools. This coverage is available in the private sector.

Testified: Representative Gary Chandler, prime sponsor (supports); David A. Canfield (supports); Basil Badley, American Insurance Association (opposes); Mel Sorensen, National Association of Independent Insurers (opposes); and Clark Sitzes, Independent Insurance Agents (opposes).