

# HOUSE BILL REPORT

## HB 1275

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### As Passed House:

March 7, 1995

**Title:** An act relating to extending existing employer workers' compensation group self-insurance.

**Brief Description:** Extending existing employer workers' compensation group self-insurance.

**Sponsors:** Representatives McMorris, Morris, Kessler, Buck, Foreman and Basich.

### Brief History:

#### Committee Activity:

Commerce & Labor: 2/2/95, 2/15/95 [DP].

#### Floor Activity:

Passed House: 3/7/95, 69-27.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** Do pass. Signed by 7 members: Representatives Lisk, Chairman; Hargrove, Vice Chairman; Thompson, Vice Chairman; Cairnes; Fuhrman; Goldsmith and Horn.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Romero, Ranking Minority Member; Conway, Assistant Ranking Minority Member; Cody and Cole.

**Staff:** Chris Cordes (786-7117).

**Background:** Employers covered by the industrial insurance law must insure their responsibilities under the law by self-insuring or by purchasing insurance from the Department of Labor and Industries. Although a single employer with sufficient financial ability is permitted to self-insure, a group of employers is not permitted to self-insure as a group unless the employers are school districts and educational service districts, or hospitals. Hospital group self-insurance is limited to one group for public hospitals and one group for other hospitals.

Group self-insurers operate under rules adopted by the department that address requirements for formation of and membership in the group, responsibilities of the

group's trust fund trustees, and the amount of reserves that must be maintained to assure financial solvency of the group.

**Summary of Bill:** Two or more employers in the logging industry who are members of a qualified organization may form self-insurance groups to cover their industrial insurance responsibilities, if the formation of the group self-insurance program will improve accident prevention and claim management for the employers. A qualified organization is one that has been in existence for at least five years, was formed for a purpose other than that of obtaining workers' compensation coverage under group self-insurance, and has, as members, employers who have substantially similar occupations and who are within the logging industry.

A self-insurance group formed for the logging industry must organize and operate under rules adopted by the director of the Department of Labor and Industries.

A group self-insurers' insolvency trust account is created to provide for the unsecured benefits paid to injured workers of defaulting group self-insurers. The trust will be funded by post-insolvency assessments against all group self-insurers, except school districts and hospitals, in proportion to their claim costs after the defaulting self-insured employers' security deposit has been exhausted. The department must adopt rules regarding the manner of imposing and collecting assessments. The director must adopt rules governing the formation of the insolvency trust account, including adequate accountability for collection and payment of funds in the account.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** This bill would allow loggers to pool their assets to cover their responsibilities for industrial insurance. This gives choices to the industry for dealing with extremely high industrial insurance rates. It also allows them to share resources to improve safety. Under the state fund, there is little personal involvement and no feeling that rates can be controlled even with good safety records. Some employer organizations have already developed a significant safety program with expertise that would be available to small employers. These associations can also help small employers deal with an injured worker's claim. The state fund does not assist employers who point out false claims and other claims management problems. Small employers cannot compete with the large self-insured firms who have the ability to control their overhead. Without some rate relief, jobs are going to continue to be lost in logging. Some cost comparisons show that a better benefit package can be purchased for employees from the private insurance market. Employees are not

happy with the current system because they pay half of the very high medical aid premium.

**Testimony Against:** Because only the employers with the best risks will leave the state fund to join a group, the employers left in the state fund will be the worst risks. This will result in an increased premium for those employers who remain in the state fund and will threaten a very financially healthy state fund. Group self-insurance is very risky because a group is like a small mutual fund. It will be costly because the group must provide actuarial solvency for the long-term and a surplus for bad years of experience. Self-insurance groups of small employers do not have the job openings to reach return-to-work levels of the very large companies. The retrospective rating program gives significant benefits to employers without the risks of group self-insurance.

**Testified:** (In favor) Representative Cathy McMorris, prime sponsor; Bill Pickell, Washington Contract Loggers Association; Nick Somero, Somero Construction; Galen McGinnis, Short Haul Trucking; Gary Barnett; and Richard Holbrook, Holbrook Incorporated. (Opposed) Theresa Whitmarsh, and Bill White, Department of Labor and Industries.