

SENATE BILL REPORT

SB 5591

As Reported By Senate Committee On:
Financial Institutions & Housing, February 28, 1995

Title: An act relating to longshore and harbor workers' compensation act insurance.

Brief Description: Pertaining to longshore and harbor workers' compensation.

Sponsors: Senators Pelz, Kohl, Sellar and Winsley.

Brief History:

Committee Activity: Financial Institutions & Housing: 2/24/95, 2/28/95 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

Majority Report: That Substitute Senate Bill No. 5591 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair; Hale, Roach, Sellar, Smith and Sutherland.

Staff: David Cheal (786-7576)

Background: Federal law requires that employers of longshore and harbor workers obtain workers' compensation coverage for their employees. The federal act prescribes a different set of benefits, and the insurance is provided by private carrier. Longshore and harbor employees currently are not eligible for coverage under the Washington State Workers' Compensation Insurance Program.

The Legislature adopted a temporary insurance plan in 1992 to provide needed insurance for those employers unable to obtain coverage in the private market. This plan, called the Washington State United States Longshore and Harbor Workers Assigned Risk Plan, was extended in 1993 for two years. Currently, under the plan, all insurers writing longshore and harbor workers' compensation insurance and the state Department of Labor and Industries' workers' compensation fund participate in underwriting the losses for such coverage. Liability for plan losses in excess of premiums and reserves is split equally between private insurers writing longshore and harbor workers' compensation insurance and the state workers' compensation fund. Premiums are not paid to the state workers' compensation fund for this potential liability. The state workers' compensation fund is authorized to provide reinsurance of the longshore and harbor workers' plan.

An advisory committee was established in 1992 to report annually on the plan and study alternatives to the plan.

The program is scheduled to expire July, 1, 1995.

Summary of Substitute Bill: The temporary Washington State United States Longshore and Harbor Workers Assigned Risk Plan is extended to July 1, 1997. The advisory committee is to report annually to the Legislature regarding the plan. The requirement that the advisory committee regularly report on feasible alternatives to the plan is removed.

Substitute Bill Compared to Original Bill: The substitute bill extends the original act and the program to July 1, 1997. The original bill extended the program indefinitely by making the act permanent.

Appropriation: None.

Fiscal Note: Requested on February 20, 1995.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: The bill will make permanent an insurance program that small maritime employers are legally required to have at a price they can afford. The program has proven its financial viability and no other acceptable alternative has been devised. Exposure of the state fund to covering exceptional losses is so remote that it is not a realistic concern. The plan which the bill would make permanent is solvent and well run.

Testimony Against: There has not been a full exploration of alternatives in the nearly three years since the program was created. That was the original legislative direction. This program should only be extended two more years to allow serious study of alternatives, rather than total removal of the sunset. Currently, all employers in the state serve as final guarantors in the event of catastrophic loss and the inability of the plan to pay claims.

Testified: PRO: Ruth Nelson, Ginny Clark, Don Hitchcock, USLH Governing Comm.; Dick King, IBEW #46; Jack Swanberg, Northwest Maritime Trade Assoc.; CON: Clayton Jones, Red Shield Insurance Company; Janet Benke, AWB; Douglas Connell, L&I.