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HOUSE BILL 1415

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State of Washington

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1995 Regular Session

By Representatives Hargrove, Lisk, Chandler, Cole, Fuhrman, Goldsmith, Romero, Conway, Horn, Ogden and Thompson

Read first time 01/24/95. Referred to Committee on Commerce & Labor.

1 AN ACT Relating to sureties for industrial insurance self-insurers;  
2 and amending RCW 51.14.020.

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

4 **Sec. 1.** RCW 51.14.020 and 1990 c 209 s 1 are each amended to read  
5 as follows:

6 (1) An employer may qualify as a self-insurer by establishing to  
7 the director's satisfaction that he or she has sufficient financial  
8 ability to make certain the prompt payment of all compensation under  
9 this title and all assessments which may become due from such employer.  
10 Each application for certification as a self-insurer submitted by an  
11 employer shall be accompanied by payment of a fee of one hundred fifty  
12 dollars or such larger sum as the director shall find necessary for the  
13 administrative costs of evaluation of the applicant's qualifications.  
14 Any employer who has formerly been certified as a self-insurer and  
15 thereafter ceases to be so certified may not apply for certification  
16 within three years of ceasing to have been so certified.

17 (2)(a) A self-insurer may be required by the director to supplement  
18 existing financial ability by depositing in an escrow account in a  
19 depository designated by the director, money and/or corporate or

1 governmental securities approved by the director, or a surety bond  
2 written by any company admitted to transact surety business in this  
3 state, or provide an irrevocable letter of credit issued by a federally  
4 or state chartered commercial banking institution authorized to conduct  
5 business in the state of Washington filed with the department. The  
6 money, securities, bond, or letter of credit shall be in an amount  
7 reasonably sufficient in the director's discretion to insure payment of  
8 reasonably foreseeable compensation and assessments but not less than  
9 the employer's normal expected annual claim liabilities and in no event  
10 less than one hundred thousand dollars. In arriving at the amount of  
11 money, securities, bond, or letter of credit required under this  
12 subsection, the director shall take into consideration the financial  
13 ability of the employer to pay compensation and assessments and his or  
14 her probable continuity of operation. However, a letter of credit  
15 shall be acceptable only if the self-insurer has a net worth of not  
16 less than five hundred million dollars as evidenced in an annual  
17 financial statement prepared by a qualified, independent auditor using  
18 generally accepted accounting principles. The money, securities, bond,  
19 or letter of credit so deposited shall be held by the director (~~to~~  
20 ~~secure~~) solely for the payment of compensation by the self-insurer and  
21 (~~to secure payment of~~) his or her assessments. In the event of  
22 default the self-insurer loses all right and title to, any interest in,  
23 and any right to control the surety. The amount of (~~security~~) surety  
24 may be increased or decreased from time to time by the director. The  
25 income from any securities deposited may be distributed currently to  
26 the self-insurer.

27 (b) The letter of credit option authorized in (a) of this  
28 subsection shall not apply to self-insurers authorized under RCW  
29 51.14.150 or to self-insurers who are counties, cities, or municipal  
30 corporations.

31 (3) Securities or money deposited by an employer pursuant to  
32 subsection (2) of this section shall be returned to him or her upon his  
33 or her written request provided the employer files the bond required by  
34 such subsection.

35 (4) If the employer seeking to qualify as a self-insurer has  
36 previously insured with the state fund, the director shall require the  
37 employer to make up his or her proper share of any deficit or  
38 insufficiency in the state fund as a condition to certification as a  
39 self-insurer.

1 (5) A self-insurer may reinsure a portion of his or her liability  
2 under this title with any reinsurer authorized to transact such  
3 reinsurance in this state: PROVIDED, That the reinsurer may not  
4 participate in the administration of the responsibilities of the self-  
5 insurer under this title. Such reinsurance may not exceed eighty  
6 percent of the liabilities under this title.

7 (6) For purposes of the application of this section, the department  
8 may adopt separate rules establishing the security requirements  
9 applicable to units of local government. In setting such requirements,  
10 the department shall take into consideration the ability of the  
11 governmental unit to meet its self-insured obligations, such as but not  
12 limited to source of funds, permanency, and right of default.

13 (7) The director shall adopt rules to carry out the purposes of  
14 this section including, but not limited to, rules respecting the terms  
15 and conditions of letters of credit and the establishment of the  
16 appropriate level of net worth of the self-insurer to qualify for use  
17 of the letter of credit. Only letters of credit issued in strict  
18 compliance with the rules shall be deemed acceptable.

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