
SUBSTITUTE HOUSE BILL 1938

State of Washington

54th Legislature

1995 Regular Session

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

Read first time 03/01/95.

1 AN ACT Relating to administration of the responsibilities of self-
2 insurers; 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 the payment of compensation by the self-insurer and to secure
21 payment of his or her assessments. The amount of security may be
22 increased or decreased from time to time by the director. The income
23 from any securities deposited may be distributed currently to the self-
24 insurer.

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

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

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

38 (5) A self-insurer may reinsure a portion of his or her liability
39 under this title with any reinsurer authorized to transact such

1 reinsurance in this state: PROVIDED, That the reinsurer may not
2 participate in the administration of the responsibilities of the self-
3 insurer under this title. Subsidiary companies, holding companies, or
4 affiliated legal entities of the reinsurer, not involved in providing
5 reinsurance, shall be allowed to participate in the administration of
6 the responsibilities of the self-insurer under this title. Such
7 reinsurance may not exceed eighty percent of the liabilities under this
8 title.

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

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

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