

HOUSE BILL REPORT

HB 1330

As Amended by the Senate

Title: An act relating to administration of the responsibilities of self-insurers.

Brief Description: Modifying the administration of the responsibilities of self-insurers.

Sponsors: By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives L. Thomas, Grant, Zellinsky, Sheldon and Mielke).

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/30/97, 2/3/97 [DP].

Floor Activity:

Passed House: 3/14/97, 54-40.

Senate Amended.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 6 members: Representatives L. Thomas, Chairman; Smith, Vice Chairman; Zellinsky, Vice Chairman; Benson; DeBolt and Wensman.

Minority Report: Do not pass. Signed by 4 members: Representatives Wolfe, Ranking Minority Member; Constantine; Keiser and Sullivan.

Staff: Charlie Gavigan (786-7340).

Background: Employers covered by industrial insurance law must insure their responsibilities under the law by self-insuring or by purchasing insurance from the Department of Labor and Industries. Employers that self-insure must meet statutory requirements.

An employer who self-insures may reinsure up to 80 percent of its liabilities with any company authorized to transact reinsurance in Washington. The reinsurer may not participate in the administration of the employer's self-insurance program.

Summary of Bill: A subsidiary, holding company, or affiliated legal entity of a reinsurer of a self-insurer's liability under industrial insurance law may participate in the administration of the self-insurance program if the subsidiary, holding company, or affiliated legal entity does not provide reinsurance.

EFFECT OF SENATE AMENDMENT(S): The new authority for a subsidiary, holding company, or affiliate of a reinsurer to participate in the administration of the self-insurance program expires on July 1, 2001. The Department of Labor and Industries must conduct a study on the adjudication of claims by self-insurers and the impact this act has on the adjudication of claims by self-insurers. The department is given authority to adopt rules to implement this act.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Allowing companies under the same corporate umbrella to do both reinsurance and third-party administration for self-insurers will increase competition and result in more choices and lower costs. Employers and employees would receive better claims service. The Department of Labor and Industries has the authority to ensure there would be no problems if the reinsurer and the administrator are affiliated.

Testimony Against: This bill breaches the firewall between administrator and insurer that has been in place for many years, and is a step toward three-way industrial insurance. The lower costs will come at the detriment of workers through lower benefits or decreased service. There is competition now; at least 21 companies provide reinsurance and another 30 or more companies provide administrative services.

Testified: Representative Bill Thompson (supports); Robert Stern, Washington State Labor Council (opposes); Lincoln Ferris, Services Group of America and Eagle Insurance (supports); Marty Bask, Eagle Insurance Group (supports); Dan Wolfe, Safeco (supports); Mel Sorensen, Liberty Northwest (supports); David Davidson, Liberty Northwest (supports); Lee Eberle, Eberle Vivian (opposes); Steve Wehrly, Insurance Brokers and Agents (supports); and Kathleen Collins, Washington Self Insurers Association (neutral).