

# HOUSE BILL REPORT

## HB 1349

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### As Passed Legislature

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

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

**Sponsors:** By House Committee on Commerce & Labor (originally sponsored by Representatives McMorris, Kessler, Hatfield, Linville, Costa, Sheldon and Doumit).

**Brief History:**

**Committee Activity:**

Commerce & Labor: 1/30/97, 3/3/97 [DP].

**Floor Activity:**

Passed House: 3/17/97, 62-36.

Passed Legislature.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** Do pass. Signed by 6 members: Representatives McMorris, Chairman; Honeyford, Vice Chairman; Boldt; Clements; Hatfield and Lisk.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Conway, Ranking Minority Member; Wood, Assistant Ranking Minority Member; and Cole.

**Staff:** Chris Cordes (786-7103).

**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.

The certification of a self-insurer is subject to withdrawal on a number of grounds, including that the self-insurer fails to meet the financial and other requirements of the law, intentionally or repeatedly induces employees to fail to report injuries or to report injuries as off-the-job injuries, persuades claimants to accept less than the benefits due, or unreasonably makes it necessary for claimants to resort to proceedings to obtain compensation.

**Summary of Bill:** Employers in the logging industry are permitted to form industrial insurance self-insurance groups.

**Who may group self-insure.**

Two or more employers in the logging industry may form self-insurance groups to cover their industrial insurance responsibilities if: (1) the employers are members of a qualified organization; and (2) 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 with substantially similar occupations within the logging industry.

**Group self-insurance insolvency trust**

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 group's security deposit has been exhausted.

**Rules adoption**

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

The department must also adopt rules to carry out the group self-insurers' insolvency trust account, including rules regarding the manner of imposing and collecting assessments and governing the formation of the insolvency trust account.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** Industrial insurance rates in the logging industry have risen dramatically since the mid-70's. Small employers paying state fund rates are at a severe competitive disadvantage compared to the large self-insured companies in the industry. Although the retrospective rating program has been highly successful in helping to reduce the disadvantage, this success has been due to the hard work of the retro group. Employees would benefit under self-insurance by not being required to pay medical aid premiums. The Department of Labor and Industries' claims load would also be reduced, freeing up department staff for more complex cases.

**Testimony Against:** Group self-insurance appears to be an opportunity for the best risks to leave the state fund. The result would be upward pressure on the rates for the remaining businesses in the risk classification. The retrospective rating program provides the relief that is needed for small companies.

**Testified:** (In support) George Kirkmire and George Edman, Washington Contract Loggers Association. (Opposed) Douglas Connell, Department of Labor and Industries.