

HOUSE BILL ANALYSIS

HB 2705

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

Sponsors: McMorris, Kessler, Hatfield, Doumit, Linville, Buck and Dyer.

Hearing: January 28, 1998

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. To self-insure, an employer must meet certain qualifications, including demonstrating sufficient financial ability to secure the payment of industrial insurance benefits. Self-insurance groups are permitted only for employers that are school districts, educational service districts, or hospitals.

Group self-insurers operate under department rules 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.

Group self-insurers are considered "employers" subject to the same regulation as other self-insurers, including decertification. The department may withdraw a self-insurer's certification 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.

All self-insurers, except school districts, cities, and counties, participate in a self-insurance insolvency trust.

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;
- has, as members, employers with substantially similar occupations within the logging industry;
- permits any employer in the logging industry to join the organization for self-insuring if the employer meets membership requirements and follows the group self-insurance rules; and
- permits any of its members in the logging industry to join the self-insurance group.

All self-insurance groups are "employers" subject to regulation as self-insurers, except for purposes of the self-insurance insolvency trust.

Group self-insurance insolvency trust account

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.

FISCAL NOTE: Requested on January 22, 1998

EFFECTIVE DATE: Ninety days after adjournment of a session in which bill is passed.