

# SENATE BILL REPORT

## SHB 2312

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As Reported By Senate Committee On:  
Commerce & Labor, February 27, 1998

**Title:** An act relating to workers' compensation obligations of employers not domiciled in Washington.

**Brief Description:** Prescribing workers' compensation obligations of employers not domiciled in Washington.

**Sponsors:** House Committee on Commerce & Labor (originally sponsored by Representatives Doumit, Pennington, Hatfield, Kenney, Clements, Carlson, Kessler, Anderson, Dunn and Tokuda).

**Brief History:**

**Committee Activity:** Commerce & Labor: 2/24/98, 2/27/98 [DP].

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### SENATE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** Do pass.

Signed by Senators Schow, Chair; Horn, Vice Chair; Anderson and Newhouse.

**Staff:** Jack Brummel (786-7428)

**Background:** The Washington industrial insurance law, with certain exemptions, covers all workers employed by persons or entities engaged in business in Washington. The industrial insurance law permits the director of the Department of Labor and Industries to enter into reciprocal agreements with other states and provinces of Canada governing jurisdiction over claims when the contract of employment arises in one jurisdiction and the injury occurs in another.

Generally, an out-of-state employer who has employees working in Washington is penalized under Washington's industrial insurance law if, after one of his or her workers is injured, the employer had failed to secure workers' compensation coverage. If that injured worker is entitled to compensation under Washington law because of an injury in Washington, the employer who does not have an account with the state fund in Washington, or is not qualified as a self-insurer, must file a certificate from the employer's state of domicile showing that the employer has coverage for the injured worker.

If the employer does not have coverage in the other state or has inadequate coverage, then the injured worker receives benefits from the Washington state fund and the employer is subject to a penalty of up to 50 percent of the department's cost beyond what is covered by the employer or its insurer.

Washington employers who violate industrial insurance requirements are subject to a penalty of \$500 or double the premiums that were incurred before obtaining coverage, and from 50 to 100 percent of the cost of the benefits paid to a worker before coverage is obtained.

An out-of-state employer registering as a contractor under Washington law or applying for an electrical contractor license must show an industrial insurance account number covering employees domiciled in Washington and evidence of workers' compensation coverage in the employer's state of domicile for employees working in Washington who are not domiciled in Washington. The employer's unified business identifier account number may be used in lieu of the industrial insurance account number.

**Summary of Bill:** Out-of-state employers who are employing workers in Washington must have an industrial insurance account with the Department of Labor and Industries, or be qualified as a self-insurer in Washington. If the employer is domiciled in a state or province with a reciprocity agreement with Washington, the employer must file a certificate showing that the employer has workers' compensation coverage in the other state or province for non-Washington workers. The certificate authorizes the department to act on behalf of the employer with regard to a claim filed under Washington's law.

An out-of-state employer is liable for the total compensation due under Washington law and the department may require additional security from a self-insured employer to secure payment. Contractors applying for registration or licensing in Washington must also comply with these coverage requirements. A contractor may not use his or her unified business identifier account number in lieu of an industrial insurance account number if the contractor will employ workers in Washington.

Out-of-state employers who fail to comply with coverage requirements are subject to the same penalties as Washington employers who fail to comply.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** This bill would level the playing field between Washington and Oregon contractors. Washington contractors are put into a high risk pool in Oregon on public works jobs. Employers coming into the state would be required to cover workers one of three ways. Washington contractors should not have to pay twice for coverage.

**Testimony With Concerns:** The bill makes some significant changes in workers compensation law. It should be narrowed to just address contractor concerns.

**Testified:** PRO: Representative Mark Doumit, prime sponsor; Doug Roewe, Lower Columbia Contractors Association; Doug Connel, L&I; Robby Stern, WA State Labor Council; Rick Slunaker, AGC; Robert Dilger, WA State Building and Construction Trades Council; Clif Finch, AWB (with concerns).