

# SENATE BILL REPORT

## SB 5965

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As Reported By Senate Committee On:  
Commerce & Labor, March 3, 1997

**Title:** An act relating to agency ratings for industrial insurance.

**Brief Description:** Providing for changes in agency experience ratings for industrial insurance.

**Sponsors:** Senators Schow, Horn, Anderson, Heavey and Franklin.

**Brief History:**

**Committee Activity:** Commerce & Labor: 2/25/97, 3/3/97 [DPS].

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### SENATE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** That Substitute Senate Bill No. 5965 be substituted therefor, and the substitute bill do pass.

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

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

**Background:** Retrospective rating is an optional incentive program offered by the Department of Labor and Industries and is designed to reward state fund employers who minimize their workers' compensation costs with a refund of a portion of the premium paid. Private employers which receive refunds typically reinvest the money in safety awareness, accident prevention and claims management activities to further increase savings.

State agencies represent the largest state fund employers. Smaller state agencies that participate in the retrospective rating program generally do so through a group plan that is managed by the Risk Management Division of the Department of General Administration. State agencies that earn a refund through the program are required to deposit the refund in the industrial insurance refund account in the Treasurer's Office and must submit a supplemental budget request to access their funds. The refund must then be appropriated. The cumbersome nature and delays associated with the process diminish the incentive effect of the program.

Currently, no universities or community colleges enroll in the program. Analysis by the Department of Labor and Industries indicates that large state agencies not enrolled in the retrospective rating program would have earned several million dollars worth of refunds had they been enrolled.

**Summary of Substitute Bill:** The requirement that moneys in the industrial insurance refund account be spent only after appropriation is eliminated. An agency's retrospective rating program refund is not subject to biennial budget limitations and does not impact an agency's legislatively approved budget. Refunds are to be used to offset the cost of an

agency's claims management staff and for programs within an agency that promote workplace safety and health, and promote return to work for injured employees.

**Substitute Bill Compared to Original Bill:** The substitute adds the provision on using the refund to offset the cost of claims management staff.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** This bill promotes health and safety activities. Its passage could encourage more agencies to join the retro program and save money.

**Testimony Against:** None.

**Testified:** Suzanne Major, L&I (pro); Clif Finch, AWB (pro).