

SENATE BILL REPORT

SB 6772

As Reported By Senate Committee On:
Labor, Commerce & Financial Institutions, February 7, 2002

Title: An act relating to the department of labor and industries' retrospective rating program.

Brief Description: Providing for distribution of retrospective rating group refunds.

Sponsors: Senators Prentice, Costa, Fairley, Keiser and Haugen.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 2/7/02 [DP, DNP].

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Keiser, Vice Chair; Fairley, Franklin, Gardner, Rasmussen and Regala.

Minority Report: Do not pass.

Signed by Senators Benton, Hochstatter, Honeyford and West.

Staff: Jack Brummel (786-7428)

Background: The Department of Labor and Industries began a retrospective rating program for employers in 1981 under rules adopted by the department. Under retrospective rating, a participating firm's industrial insurance premium for a 12-month period is adjusted based on injury claims within that period. An enrolled employer who experiences claim costs lower than expected receives a refund; higher costs result in higher charges.

The program provides a stronger incentive to reduce injuries and control costs than the normal charging of premiums based on three years of experience. Employers can enroll in the program as individual firms or as members of a group plan sponsored by an employer association.

In 1999 the Legislature statutorily mandated the department's retrospective rating plan. Under rules implementing the legislation, the department required that 90 percent of refunds to group plans be distributed to group members. In 2001, a superior court ruling invalidated this rule.

Summary of Bill: Retrospective rating groups are to distribute at least 90 percent of refunds to group members.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: The 1999 legislation required the retro program to be operated according to insurance principles. This rule is consistent with that requirement. Associations should not keep more than a reasonable 10 percent overhead fee. Refunds should mostly go back to employers so the money can go back to more workplace efforts.

Testimony Against: The rule would require employers to charge an upfront fee larger than this 10 percent fee. It has caused farmers to drop out. The retro cap would take away the tool to finance the services associations offer and limit flexibility. Employers like the refund system without this cap.

Testified: Doug Connell, Frank Romero, L&I; PRO: Robby Stern, WA St. Labor Council; Don McLeod, Laborer's Union; CON: Dan Fazio, WA Farm Bureau; Greg Overstreet, BIAW; Bill Pickell, WA Contract Loggers Assoc.; Kim Clauson, WA Restaurant Assoc.