

# SENATE BILL REPORT

## SB 5744

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As Reported by Senate Committee On:  
Commerce & Labor, February 22, 2013

**Title:** An act relating to creating an industrial insurance high risk premium subsidy program.

**Brief Description:** Creating an industrial insurance high risk premium subsidy program.

**Sponsors:** Senators Hargrove, Hatfield and Conway.

**Brief History:**

**Committee Activity:** Commerce & Labor: 2/22/13 [DPS].

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### SENATE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** That Substitute Senate Bill No. 5744 be substituted therefor, and the substitute bill do pass.

Signed by Senators Holmquist Newbry, Chair; Braun, Vice Chair; Conway, Ranking Member; Hasegawa, Hewitt, Keiser and King.

**Staff:** Mac Nicholson (786-7445)

**Background:** Under the state's industrial insurance laws, workers who, in the course of employment, are injured or disabled from an occupational disease are entitled to benefits. Depending on the disability, workers are entitled to medical, temporary time-loss, and vocational rehabilitation benefits, as well as benefits for permanent disabilities.

Employers in the state must either purchase industrial insurance through the state fund or self-insure. The Department of Labor and Industries (L&I) administers the state fund. To calculate premium rates, L&I makes a number of actuarial calculations that take into consideration the risk of a worker getting hurt, and the severity of the injury. Premiums are calculated for each risk classification, and an employer can be assigned to one or more classification. The basic premium rate is a composite of three separate rates, the accident fund rate, the medical aid fund rate, and the supplemental pension fund rate. The accident and medical aid fund base premiums are experience rated.

The current base accident fund premium for non-mechanized logging is \$14.28 per hour, with a combined base rate of \$19.61 per hour. The average base accident fund premium across all risk classifications is \$0.34 per hour.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Summary of Bill (Recommended Substitute):** The Legislature recognizes the logger safety initiative, which is being developed by industry stakeholders with the goal of reducing the frequency and severity of injuries to manual loggers. L&I must report back to the Legislature on implementation of the initiative and participation in the safety program, including a description and summary of the worker training and supervision standards and the certification process for individual companies. The report must also contain a description and summary of any industrial insurance rate reduction or other incentive for rate year 2014 that will be applied to employers participating in the initiative. If the logger safety initiative does not significantly reduce the 2014 industrial insurance rates for manual loggers, the report must provide options that would significantly reduce rates, including an accident fund rate buy-down or socialization for high-risk logging rate classes.

**EFFECT OF CHANGES MADE BY COMMERCE & LABOR COMMITTEE (Recommended Substitute):** The proposed substitute eliminates the rate subsidy program and requires L&I to report back to the Legislature on implementation of the initiative and participation in the safety program.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony on Original Bill:** PRO: The workers comp base rate for manual logging has doubled over the last five years. Premiums are more expensive than wages. The costs are unsustainable for the industry. Fewer businesses will operate, leading to a loss of jobs, benefits, and stagnation of wages. Premiums need to go down, and implementation of the safety initiative would help. However, it will take years before employers will see an impact in rates, and this bill provides immediate relief. Logging is a dangerous and high risk business and employers have an obligation to make sure people go home healthy. Oregon loggers pay less for workers comp, creating an unfair playing field. The bill provides a rate reduction that is earned.

CON: There is sympathy for the situation, but this bill is not really a solution. It just masks the underlying problems in the system and asks other people to pay. There are better approaches to follow. The logging industry is in an untenable situation, and something needs to be done. However, the subsidy is in conflict with a sacred principle of workers comp, which is to avoid rate by rate socialization. The safety initiative is a positive thing and should be supported.

OTHER: The spirit behind the bill is incredibly important. Injuries in the industry are 50 times more likely to require hospitalization. If the worker is 19-24 years old, then they are 400 percent more likely to have an injury. Of the injuries that require hospitalization, over half take place in first six months on the job. There is a need to develop and identify a safety program, particularly for young workers. The substitute language outlines an approach that will help. The industry has been working with all stakeholders to develop a safety program.

The idea of the program is to have meaningful change and report back to the legislature on the success of the program.

**Persons Testifying:** PRO: Jerrold Bonagofsky, WA Contract Loggers Assn.; Jeff Richter, Chilton Logging.

CON: Tom Kwieciak, Building Industry Assn. of WA; Kris Tefft, Assn. of WA Business.

OTHER: Joel Sacks, Vickie Kennedy, L&I; John Ehrenreich, WA Forest Protection Assn.