
HOUSE BILL 1907

State of Washington

52nd Legislature

1991 Regular Session

By Representatives Dellwo, Broback, Zellinsky, Mielke, Anderson, R. Meyers, Winsley, Inslee, Paris, Dorn, Schmidt, Scott and R. Johnson.

Read first time February 14, 1991. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to the regulation of local government self-
2 insurance; amending RCW 41.04.180, 41.05.021, 35.23.460, 35A.41.020,
3 36.32.400, 53.08.170, 54.04.050, 56.08.100, 57.08.100, and 43.09.260;
4 adding new sections to chapter 48.62 RCW; creating new sections;
5 repealing RCW 48.62.010, 48.62.020, 48.62.030, 48.62.035, 48.62.040,
6 48.62.050, 48.62.060, 48.62.070, 48.62.080, 48.62.090, 48.62.100,
7 48.62.110, and 48.62.120; and providing an effective date.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

9 NEW SECTION. **Sec. 1.** This chapter is intended to provide the
10 exclusive source of local government entity authority to individually
11 or jointly self-insure risks, jointly purchase insurance or
12 reinsurance, and to contract for risk management, claims, and
13 administrative services. This chapter shall be liberally construed to
14 grant local government entities maximum flexibility in self-insuring to
15 the extent the self-insurance programs are operated in a safe and sound

1 manner. This chapter is intended to require prior approval for the
2 establishment of every individual local government self-insured
3 employee health and welfare benefit program and every joint local
4 government self-insurance program. In addition, this chapter is
5 intended to require every local government entity that establishes a
6 self-insurance program not subject to prior approval to notify the
7 state of the existence of the program and to comply with the regulatory
8 and statutory standards governing the management and operation of the
9 programs as provided in this chapter. This chapter is not intended to
10 authorize or regulate self-insurance of unemployment compensation under
11 chapter 50.44 RCW, or industrial insurance under chapter 51.14 RCW.

12 NEW SECTION. **Sec. 2.** Unless the context clearly requires
13 otherwise, the definitions in this section apply throughout this
14 chapter.

15 (1) "Local government entity" or "entity" means every unit of local
16 government, both general purpose and special purpose, and includes, but
17 is not limited to, counties, cities, towns, port districts, public
18 utility districts, water districts, sewer districts, school districts,
19 fire protection districts, irrigation districts, metropolitan municipal
20 corporations, conservation districts, and other political subdivisions,
21 governmental subdivisions, municipal corporations, and quasi-municipal
22 corporations.

23 (2) "Risk assumption" means a decision to absorb the entity's
24 financial exposure to a risk of loss without the creation of a formal
25 program of advance funding of anticipated losses.

26 (3) "Self-insurance" means a formal program of advance funding and
27 management of entity financial exposure to a risk of loss that is not
28 transferred through the purchase of an insurance policy or contract.

1 (4) "Health and welfare benefits" means a self-insured program
2 established by a local government entity or entities for the purpose of
3 providing its employees and their dependents, and in the case of school
4 districts, its district employees, students, directors, or any of their
5 dependents, with health care, accident, disability, death, and salary
6 protection benefits.

7 (5) "Liability and property risks" includes the risk of property
8 damage or loss sustained by a local government entity and the risk of
9 claims arising from the tortious or negligent conduct or any error or
10 omission of the local government entity, its officers, employees,
11 agents, or volunteers as a result of which a claim may be made against
12 the local government entity.

13 (6) "State risk manager" means the state risk manager of the
14 division of risk management within the department of general
15 administration.

16 (7) "Administrator" means the administrator of the state health
17 care authority established under chapter 41.05 RCW.

18 NEW SECTION. **Sec. 3.** (1) The governing body of a local
19 government entity may individually self-insure, may join or form a
20 self-insurance program together with other entities, and may jointly
21 purchase insurance or reinsurance with other entities for liability and
22 property risks, and health and welfare benefits in accordance with this
23 chapter. In addition, the entity or entities may contract for or hire
24 personnel to provide risk management, claims, and administrative
25 services in accordance with this chapter.

26 (2) The agreement to form a joint self-insurance program shall be
27 made under chapter 39.34 RCW.

28 (3) Every individual and joint self-insurance program is subject to
29 audit by the state auditor.

1 (4) If provided for in the agreement or contract established under
2 chapter 39.34 RCW, a joint self-insurance program may, in conformance
3 with this chapter:

4 (a) Contract or otherwise provide for risk management and loss
5 control services;

6 (b) Contract or otherwise provide legal counsel for the defense of
7 claims and other legal services;

8 (c) Consult with the state insurance commissioner, the state risk
9 manager, and the state health care authority;

10 (d) Jointly purchase insurance and reinsurance coverage in such
11 form and amount as the program's participants agree by contract; and

12 (e) Possess any other powers and perform all other functions
13 reasonably necessary to carry out the purposes of this chapter.

14 (5) A local government entity that has decided to assume a risk of
15 loss must have available for inspection by the state auditor a written
16 report indicating the class of risk or risks the governing body of the
17 entity has decided to assume.

18 NEW SECTION. **Sec. 4.** (1) The local government self-insurance
19 advisory board is created, consisting of the insurance commissioner and
20 the state risk manager, or their designees, as ex officio members and
21 five members appointed by the governor on the basis of their experience
22 and knowledge in matters pertaining to local government risk
23 management, insurance, self-insurance, and management of joint self-
24 insurance programs.

25 (2) The board shall assist the state risk manager in:

26 (a) Adopting rules governing the operation and management of both
27 individual and joint self-insurance programs covering liability and
28 property risks;

1 (b) Reviewing and approving the creation of joint self-insurance
2 programs covering liability or property risks;

3 (c) Reviewing annual reports filed by joint self-insurance programs
4 covering liability and property risks and recommending that corrective
5 action be taken by the programs when necessary; and

6 (d) Responding to concerns of the state auditor related to the
7 management and operation of both individual and joint self-insurance
8 programs covering liability or property risks.

9 (3) The board shall annually elect a chairman and a vice-chairman
10 from its members.

11 (4) A majority of the board constitutes a quorum for the
12 transaction of business.

13 (5) The board shall keep records of its proceedings.

14 NEW SECTION. **Sec. 5.** The state risk manager, in consultation
15 with the advisory board, shall adopt rules governing the management and
16 operation of both individual and joint local government self-insurance
17 programs covering liability or property risks. The rules shall be
18 appropriate for the type of program and class of risk covered. The
19 state risk manager's rules shall include but not be limited to:

20 (1) Standards for the management, operation, and solvency of self-
21 insurance programs, including the necessity and frequency of actuarial
22 analyses and claims audits;

23 (2) Standards for fair claim settlement practices; and

24 (3) Standards for contracts between self-insurance programs and
25 private businesses.

26 NEW SECTION. **Sec. 6.** Before the establishment of a joint
27 self-insurance program covering liability or property risks by local
28 government entities, the entities must obtain the approval of the state

1 risk manager. The entities proposing creation of a joint self-
2 insurance program shall submit a plan of management and operation to
3 the state risk manager and the state auditor that provides at least the
4 following information:

5 (1) The risk or risks to be covered, including any coverage
6 definitions, terms, conditions, and limitations;

7 (2) The amount and method of financing the covered risks, including
8 the initial capital and proposed rates and projected premiums;

9 (3) The proposed claim reserving practices;

10 (4) The proposed purchase and maintenance of insurance or
11 reinsurance in excess of the amounts retained by the self-insurance
12 program;

13 (5) The legal form of the program, including but not limited to any
14 bylaws, charter, or trust agreement;

15 (6) The agreements with members of the program defining the
16 responsibilities and benefits of each member and management;

17 (7) The proposed accounting and investment practices of the
18 program;

19 (8) The identification of the actuary who will analyze program
20 claims, investments, and reserves, including information indicating
21 when the analysis will be first conducted and the frequency of future
22 actuarial analysis;

23 (9) All contracts between the program and private persons providing
24 risk management, claims, or other administrative services;

25 (10) A professional analysis of the feasibility of creation and
26 maintenance of the program; and

27 (11) Any other information required by rule of the state risk
28 manager that is necessary to determine the probable financial and
29 management success of the program or is necessary to determine
30 compliance with this chapter.

1 NEW SECTION. **Sec. 7.** A local government entity may
2 participate in a joint self-insurance program with similar local
3 government entities from other states if the program satisfies the
4 following requirements:

5 (1) Only those local government entities of this state and similar
6 entities of other states that are provided insurance by the program may
7 have ownership interest in the program;

8 (2) The participating local government entities of this state and
9 other states shall elect a board of directors to manage the program, a
10 majority of whom shall be affiliated with one or more of the
11 participating entities;

12 (3) The program must provide coverage through the delivery to each
13 participating entity of one or more written policies effecting
14 insurance of covered risks;

15 (4) The program shall be financed, including the payment of
16 premiums and the contribution of initial capital, in accordance with
17 the plan of management and operation submitted to the state risk
18 manager in accordance with this chapter;

19 (5) The financial statements of the program shall be audited
20 annually by the certified public accountants for the program, and such
21 audited financial statements shall be delivered to the Washington state
22 auditor and the state risk manager not more than one hundred twenty
23 days after the end of each fiscal year of the program;

24 (6) The investments of the program shall be held only in those
25 states in which participating entities are located, and such
26 investments shall be audited annually by the certified public
27 accountants for the program, and a list of such investments shall be
28 delivered to the Washington state auditor not more than one hundred
29 twenty days after the end of each fiscal year of the program;

1 (7) The participating entities may have no contingent liabilities,
2 other than liabilities for unpaid premiums, retrospective premiums, or
3 assessments, if assets of the program are insufficient to cover the
4 program's liabilities; and

5 (8) The program shall obtain approval from the state risk manager
6 in accordance with this chapter and shall remain in compliance with the
7 provisions of this chapter, except to the extent that such provisions
8 are modified by or inconsistent with this section.

9 NEW SECTION. **Sec. 8.** (1) Within one hundred twenty days of
10 receipt of the plan of management and operation, the state risk manager
11 shall either approve or disapprove the formation of the joint self-
12 insurance program after reviewing the plan to determine whether the
13 proposed program complies with this chapter and all rules adopted in
14 accordance with this chapter.

15 (2) If the state risk manager denies a request for approval, the
16 state risk manager shall specify in detail the reasons for denial and
17 the manner in which the program fails to meet the requirements of this
18 chapter or any rules adopted in accordance with this chapter.

19 (3) Whenever the state risk manager determines that a joint self-
20 insurance program is in violation of this chapter or is operating in an
21 unsafe financial condition, the state risk manager may issue and serve
22 upon the program an order to cease and desist from the violation or
23 practice. The state risk manager shall deliver the order to the
24 appropriate entity or entities directly or mail it to the appropriate
25 entity or entities by registered mail with return receipt requested. If
26 the program violates the order or has not taken steps to comply with
27 the order after the expiration of twenty days after the cease and
28 desist order has been received by the program, the program is deemed to
29 be operating in violation of this chapter, and the state risk manager

1 shall notify the state auditor and the attorney general of the
2 violation.

3 (4) Each joint self-insurance program approved by the state risk
4 manager shall annually file a report with the state risk manager and
5 state auditor providing:

6 (a) Details of any changes in the articles of incorporation,
7 bylaws, or interlocal agreement;

8 (b) Copies of all the insurance coverage documents;

9 (c) A description of the program structure, including participants'
10 retention, program retention, and excess insurance limits and
11 attachment point;

12 (d) An actuarial analysis;

13 (e) A list of contractors and service providers;

14 (f) The financial and loss experience of the program; and

15 (g) Such other information as required by rule of the state risk
16 manager.

17 (5) No self-insurance program requiring the state risk manager's
18 approval may engage in an act or practice that in any respect
19 significantly differs from the management and operation plan that
20 formed the basis for the state risk manager's approval of the program
21 unless the program first notifies the state risk manager in writing and
22 obtains the state risk manager's approval. The state risk manager
23 shall approve or disapprove the proposed change within sixty days of
24 receipt of the notice.

25 NEW SECTION. **Sec. 9.** (1) All self-insurance programs governed
26 by this chapter may provide for private meetings to consider litigation
27 and settlement of claims when it appears that public discussion of
28 these matters would impair the program's ability to conduct its
29 business effectively.

1 (2) Notwithstanding any provision to the contrary contained in the
2 public disclosure act, chapter 42.17 RCW, in a claim or action against
3 the state or a local government entity, no person is entitled to
4 discover that portion of any funds or liability reserve established for
5 purposes of satisfying a claim or cause of action, except that the
6 reserve is discoverable in a supplemental or ancillary proceeding to
7 enforce a judgment. All other records of individual or joint self-
8 insurance programs are public records subject to disclosure in
9 accordance with chapter 42.17 RCW.

10 NEW SECTION. **Sec. 10.** (1) The assets of a joint self-insurance
11 program governed by this chapter may be invested only in accordance
12 with the general investment authority that participating local
13 government entities possess as a governmental entity.

14 (2) Except as provided in subsection (3) of this section, a joint
15 self-insurance program may invest all or a portion of its assets by
16 depositing the assets with the treasurer of a county within whose
17 territorial limits any of its member local government entities lie, to
18 be invested by the treasurer for the joint program.

19 (3) Local government members of a joint self-insurance program may
20 by resolution of the program designate some other person having
21 experience in financial or fiscal matters as treasurer of the program.
22 The program shall, unless the program's treasurer is a county
23 treasurer, require a bond obtained from a surety company authorized to
24 do business in Washington in an amount and under the terms and
25 conditions that the program finds will protect against loss arising
26 from mismanagement or malfeasance in investing program funds. The
27 program may pay the premium on the bond.

28 All program funds must be paid to the treasurer and shall be
29 disbursed by the treasurer only on warrants issued by a person

1 appointed by the program and upon orders or vouchers approved by the
2 program. The treasurer shall establish a program account, into which
3 shall be paid all program funds, and the treasurer shall maintain such
4 special accounts as may be created by the program into which the
5 treasurer shall place all money as the program may direct by
6 resolution.

7 (4) If the treasurer of the joint program is also the treasurer of
8 a county, all program funds must be deposited with the county
9 depositaries under the same restrictions, contracts, and security as
10 provided for county depositaries.

11 (5) If the treasurer of the joint program is not a county
12 treasurer, all program funds must be deposited in a qualified public
13 depository designated by resolution of the program.

14 (6) All interest and earnings collected on joint program funds
15 belong to the program and must be deposited to the program's credit in
16 the proper program account.

17 (7) A joint program may require a reasonable bond from any person
18 handling money or securities of the program and may pay the premium for
19 the bond.

20 NEW SECTION. **Sec. 11.** (1) No employee or official of a local
21 government entity may directly or indirectly receive anything of value
22 for services rendered in connection with the operation and management
23 of a self-insurance program other than the salary and benefits provided
24 by his or her employer or the reimbursement of expenses reasonably
25 incurred in furtherance of the operation or management of the program.
26 No employee or official of a local government entity may accept or
27 solicit anything of value for personal benefit or for the benefit of
28 others under circumstances in which it can be reasonably inferred that

1 the employee's or official's independence of judgment is impaired with
2 respect to the management and operation of the program.

3 (2) No local government entity may participate in a joint self-
4 insurance program in which local government entities do not retain
5 complete governing control. This prohibition does not apply to local
6 government contribution to a self-insured employee health and welfare
7 benefits plan otherwise authorized and governed by state statute nor to
8 local government participation in a multistate joint program where
9 control is shared with local government entities from other states.

10 (3) A director, trustee, third-party administrator, or other person
11 having a substantial role in the management or operations of an
12 individual or joint self-insurance program is subject to service of
13 process in this state.

14 (4) Moneys made available and moneys expended by school districts
15 and educational service districts for self-insurance under this chapter
16 are subject to such rules of the superintendent of public instruction
17 as the superintendent may adopt governing budgeting and accounting.
18 However, the superintendent shall ensure that the rules are consistent
19 with those adopted by the state risk manager and administrator of the
20 state health care authority for the management and operation of self-
21 insurance programs.

22 (5) RCW 48.30.140, 48.30.150, 48.30.155, and 48.30.157 apply to the
23 use of agents and brokers by local government self-insurance programs.

24 NEW SECTION. **Sec. 12.** Every local government entity that has
25 established a self-insurance program not subject to the prior approval
26 requirements of this chapter shall provide written notice to the state
27 auditor of the existence of the program. The notice must identify the
28 manager of the program and the class or classes of risk self-insured.
29 In addition, the local government entity shall notify the state auditor

1 whenever the program covers a new class of risk or discontinues the
2 self-insurance of a class of risk.

3 NEW SECTION. **Sec. 13.** Every joint self-insurance program
4 covering liability or property risks shall provide for the contingent
5 liability of participants in the program if assets of the program are
6 insufficient to cover the program's liabilities, unless coverage in the
7 joint program is expressly limited to the available assets of the
8 program and the limitation is expressly acknowledged or agreed upon by
9 the local government entities.

10 NEW SECTION. **Sec. 14.** A joint self-insurance program approved
11 in accordance with this chapter is exempt from insurance premium taxes,
12 from fees assessed under chapter 48.02 RCW, from chapters 48.32 and
13 48.32A RCW, from business and occupations taxes imposed under chapter
14 82.04 RCW, and from any assigned risk plan or joint underwriting
15 association otherwise required by law.

16 NEW SECTION. **Sec. 15.** (1) The state risk manager shall
17 establish and charge an investigation fee in an amount necessary to
18 cover the costs for the initial review and approval of a joint self-
19 insurance program covering liability or property risks. The fee must
20 accompany the initial submission of the plan of operation and
21 management.

22 (2) The costs of subsequent reviews and investigations shall be
23 charged to the joint self-insurance program being reviewed or
24 investigated in accordance with the actual time and expenses incurred
25 in the review or investigation.

1 (g) The proposed accounting and investment practices of the
2 program;

3 (h) The identification of the actuary who will analyze program
4 claims, investments, and reserves, including information indicating
5 when the analysis will be first conducted and the frequency of future
6 actuarial analysis;

7 (i) Any contract between the program and private persons providing
8 risk management, claims, or other administrative services;

9 (j) A professional analysis of the feasibility of creation and
10 maintenance of the program; and

11 (k) Any other information required by rule of the administrator
12 that is necessary to determine the probable financial and management
13 success of the program or that is necessary to determine compliance
14 with this chapter.

15 (3) Within one hundred twenty days of receipt of the plan of
16 management and operation, the administrator shall either approve or
17 disapprove the formation of the program, after reviewing the plan to
18 determine whether the proposed program complies with this chapter and
19 all rules adopted under this chapter.

20 (4) If the administrator denies a request for approval, the
21 administrator shall specify in detail the reasons for denial and the
22 manner in which the program fails to meet the requirements of this
23 chapter or any rules adopted under this chapter.

24 (5) Whenever the administrator determines that a program is in
25 violation of this chapter or is operating in an unsafe financial
26 condition, the administrator may issue and serve upon the program an
27 order to cease and desist from the violation or practice. The
28 administrator shall deliver the order to the program directly or mail
29 it to the appropriate entity or entities by registered mail with return
30 receipt requested. If the program violates the order or has not taken

1 steps to comply with the order after the expiration of twenty days
2 after the cease and desist order has been received by the program, the
3 program is deemed to be operating in violation of this chapter, and the
4 administrator shall notify the state auditor and the attorney general
5 of the violation.

6 (6) Each program approved by the administrator shall annually file
7 a report with the administrator and the state auditor providing
8 financial and loss experience of the program and such other information
9 required by the administrator by rule.

10 (7) No program may engage in an act or practice that in any respect
11 significantly differs from the management and operation plan that
12 formed the basis for the administrator's approval of the program unless
13 the program first notifies the administrator in writing and obtains the
14 administrator's approval. The administrator shall approve or
15 disapprove the proposed change within sixty days of receipt of the
16 notice.

17 (8) The administrator shall establish and charge an investigation
18 fee in an amount necessary to cover the costs for the initial review
19 and approval of any program. The fee must accompany the initial
20 submission of the plan of operation and management. In addition, the
21 costs of subsequent reviews and investigations of a program shall be
22 charged to the program in accordance with the actual time and expenses
23 incurred by the administrator in reviewing or investigating the
24 program.

25 **Sec. 17.** RCW 41.04.180 and 1974 ex.s. c 82 s 1 are each amended to
26 read as follows:

27 Any county, municipality, or other political subdivision of the
28 state acting through its principal supervising official or governing
29 body may, whenever funds shall be available for that purpose provide

1 for all or a part of hospitalization and medical aid for its employees
2 and their dependents through contracts with regularly constituted
3 insurance carriers or with health care service contractors as defined
4 in chapter 48.44 RCW or self-insurers as provided for in chapter
5 ((48.52)) 48.62 RCW, for group hospitalization and medical aid policies
6 or plans: PROVIDED, That any county, municipality, or other political
7 subdivision of the state acting through its principal supervising
8 official or governing body shall provide the employees thereof a choice
9 of policies or plans through contracts with not less than two regularly
10 constituted insurance carriers or health care service contractors or
11 other health care plans, including but not limited to, trusts of self-
12 insurance as provided for in chapter ((48.52)) 48.62 RCW: AND PROVIDED
13 FURTHER, That any county may provide such hospitalization and medical
14 aid to county elected officials and their dependents on the same basis
15 as such hospitalization and medical aid is provided to other county
16 employees and their dependents: PROVIDED FURTHER, That provision for
17 school district personnel shall not be made under this section but
18 shall be as provided for in RCW 28A.400.350.

19 **Sec. 18.** RCW 41.05.021 and 1990 c 222 s 3 are each amended to read
20 as follows:

21 The Washington state health care authority is created within the
22 executive branch. The authority shall have an administrator appointed
23 by the governor, with the consent of the senate. The administrator
24 shall serve at the pleasure of the governor. The administrator may
25 employ up to seven staff members, who shall be exempt from chapter
26 41.06 RCW, and any additional staff members as are necessary to
27 administer this chapter. The primary duties of the authority shall be
28 to administer state employees' insurance benefits and to study state-
29 purchased health care programs in order to maximize cost containment in

1 these programs while ensuring access to quality health care. The
2 authority's duties include, but are not limited to, the following:

3 (1) To administer a health care benefit program for employees as
4 specifically authorized in RCW 41.05.065 and in accordance with the
5 methods described in RCW 41.05.075, 41.05.140, and other provisions of
6 this chapter;

7 (2) To analyze state-purchased health care programs and to explore
8 options for cost containment and delivery alternatives for those
9 programs that are consistent with the purposes of those programs,
10 including, but not limited to:

11 (a) Creation of economic incentives for the persons for whom the
12 state purchases health care to appropriately utilize and purchase
13 health care services, including the development of flexible benefit
14 plans to offset increases in individual financial responsibility;

15 (b) Utilization of provider arrangements that encourage cost
16 containment and ensure access to quality care, including but not
17 limited to prepaid delivery systems, utilization review, and
18 prospective payment methods;

19 (c) Coordination of state agency efforts to purchase drugs
20 effectively as provided in RCW 70.14.050;

21 (d) Development of recommendations and methods for purchasing
22 medical equipment and supporting services on a volume discount basis;
23 and

24 (e) Development of data systems to obtain utilization data from
25 state-purchased health care programs in order to identify cost centers,
26 utilization patterns, provider and hospital practice patterns, and
27 procedure costs, utilizing the information obtained pursuant to RCW
28 41.05.031;

29 (3) To analyze areas of public and private health care interaction;

1 (4) To provide information and technical and administrative
2 assistance to the board;

3 (5) To regulate local government self-insured health and welfare
4 benefits programs as provided in chapter 48.62 RCW;

5 (6) To review and approve or deny applications from counties,
6 municipalities, other political subdivisions of the state, and school
7 districts to provide state-sponsored insurance or self-insurance
8 programs to their employees in accordance with the provisions of RCW
9 41.04.205 and 28A.400.350, setting the premium contribution for
10 approved groups as outlined in RCW 41.05.050;

11 ((+6+)) (7) To appoint a health care policy technical advisory
12 committee as required by RCW 41.05.150; and

13 ((+7+)) (8) To promulgate and adopt rules consistent with this
14 chapter as described in RCW 41.05.160.

15 **Sec. 19.** RCW 35.23.460 and 1965 c 7 s 35.23.460 are each amended
16 to read as follows:

17 Subject to chapter 48.62 RCW, any city of the second or third class
18 or town may contract with an insurance company authorized to do
19 business in this state to provide group insurance for its employees
20 including group false arrest insurance for its law enforcement
21 personnel, and pursuant thereto may use a portion of its revenues to
22 pay an employer's portion of the premium for such insurance, and may
23 make deductions from the payrolls of employees for the amount of the
24 employees' contribution and may apply the amount deducted in payment of
25 the employees' portion of the premium.

26 **Sec. 20.** RCW 35A.41.020 and 1983 c 3 s 66 are each amended to read
27 as follows:

1 Except as otherwise provided in this title, the general provisions
2 relating to public employment, including hospitalization and medical
3 aid as provided in chapter 41.04 RCW, and the application of federal
4 social security for public employees, the acceptance of old age and
5 survivors insurance as provided in chapters 41.47 and 41.48 RCW,
6 military leave as provided in RCW 38.40.060, self-insurance as provided
7 in chapter 48.62 RCW, the application of industrial insurance as
8 provided in Title 51 RCW, and chapter 43.101 RCW relating to training
9 of law enforcement officers, shall apply to code cities. Any code city
10 may retain any civil service system theretofore in effect in such city
11 and may adopt any system of civil service which would be available to
12 any class of city under general law.

13 **Sec. 21.** RCW 36.32.400 and 1975-'76 2nd ex.s. c 106 s 7 are each
14 amended to read as follows:

15 Subject to chapter 48.62 RCW, any county by a majority vote of its
16 board of county commissioners may enter into contracts to provide
17 health care services and/or group insurance for the benefit of its
18 employees, and may pay all or any part of the cost thereof. Any two or
19 more counties, by a majority vote of their respective boards of county
20 commissioners may, if deemed expedient, join in the procuring of such
21 health care services and/or group insurance, and the board of county
22 commissioners of each participating county may, by appropriate
23 resolution, authorize their respective counties to pay all or any
24 portion of the cost thereof.

25 Nothing in this section shall impair the eligibility of any
26 employee of a county, municipality, or other political subdivision
27 under RCW 41.04.205.

1 **Sec. 22.** RCW 53.08.170 and 1987 c 50 s 1 are each amended to read
2 as follows:

3 The port commission shall have authority to create and fill
4 positions, to fix wages, salaries and bonds thereof, to pay costs and
5 assessments involved in securing or arranging to secure employees, and
6 to establish such benefits for employees, including holiday pay,
7 vacations or vacation pay, retirement and pension benefits, medical,
8 surgical or hospital care, life, accident, or health disability
9 insurance, and similar benefits, already established by other employers
10 of similar employees, as the port commissioner shall by resolution
11 provide: PROVIDED, That any district providing insurance benefits for
12 its employees in any manner whatsoever may provide health and accident
13 insurance, life insurance with coverage not to exceed that provided
14 district employees, and business related travel, liability, and errors
15 and omissions insurance, for its commissioners, which insurance shall
16 not be considered to be compensation.

17 Subject to chapter 48.62 RCW, the port commission shall have
18 authority to provide or pay such benefits directly, or to provide for
19 such benefits by the purchase of insurance policies or entering into
20 contracts with and compensating any person, firm, agency or
21 organization furnishing such benefits, or by making contributions to
22 vacation plans or funds, or health and welfare plans and funds, or
23 pension plans or funds, or similar plans or funds, already established
24 by other employers of similar employees and in which the port district
25 is permitted to participate for particular classifications of its
26 employees by the trustees or other persons responsible for the
27 administration of such established plans or funds: PROVIDED FURTHER,
28 That no port district employee shall be allowed to apply for admission
29 to or be accepted as a member of the state employees' retirement system
30 after January 1, 1965, if admission to such system would result in

1 coverage under both a private pension system and the state employees'
2 retirement system, it being the purpose of this proviso that port
3 districts shall not at the same time contribute for any employee to
4 both a private pension or retirement plan and to the state employees'
5 retirement system. The port commission shall have authority by
6 resolution to utilize and compensate agents for the purpose of paying,
7 in the name and by the check of such agent or agents or otherwise,
8 wages, salaries and other benefits to employees, or particular
9 classifications thereof, and for the purpose of withholding payroll
10 taxes and paying over tax moneys so withheld to appropriate government
11 agencies, on a combined basis with the wages, salaries, benefits, or
12 taxes of other employers or otherwise; to enter into such contracts and
13 arrangements with and to transfer by warrant such funds from time to
14 time to any such agent or agents so appointed as are necessary to
15 accomplish such salary, wage, benefit, or tax payments as though the
16 port district were a private employer, notwithstanding any other
17 provision of the law to the contrary. The funds of a port district
18 transferred to such an agent or agents for the payment of wages or
19 salaries of its employees in the name or by the check of such agent or
20 agents shall be subject to garnishment with respect to salaries or
21 wages so paid, notwithstanding any provision of the law relating to
22 municipal corporations to the contrary.

23 **Sec. 23.** RCW 54.04.050 and 1984 c 15 s 1 are each amended to read
24 as follows:

25 (1) Subject to chapter 48.62 RCW, any public utility district
26 engaged in the operation of electric or water utilities may enter into
27 contracts of group insurance for the benefit of its employees, and pay
28 all or any part of the premiums for such insurance. Such premiums
29 shall be paid out of the revenues derived from the operation of such

1 properties: PROVIDED, That if the premium is to be paid by the
2 district and employees jointly, and the benefits of the policy are
3 offered to all eligible employees, not less than seventy-five percent
4 of such employees may be so insured.

5 (2) A public utility district whose employees or officials are not
6 members of the state retirement system engaged in the operation of
7 electric or water utilities may contract for individual annuity
8 contracts, retirement income policies or group annuity contracts,
9 including prior service, to provide a retirement plan, or any one or
10 more of them, and pay all or any part of the premiums therefor out of
11 the revenue derived from the operation of its properties.

12 **Sec. 24.** RCW 56.08.100 and 1981 c 190 s 5 are each amended to read
13 as follows:

14 Subject to chapter 48.62 RCW, a sewer district, by a majority vote
15 of its board of commissioners, may enter into contracts to provide
16 health care services and/or group insurance and/or term life insurance
17 and/or social security insurance for the benefit of its employees and
18 may pay all or any part of the cost thereof. Any two or more sewer
19 districts or one or more sewer districts and one or more water
20 districts, by a majority vote of their respective boards of
21 commissioners, may, if deemed expedient, join in the procuring of such
22 health care services and/or group insurance and/or term life insurance,
23 and the board of commissioners of each participating sewer and/or water
24 district may by appropriate resolution authorize their respective
25 district to pay all or any portion of the cost thereof.

26 **Sec. 25.** RCW 57.08.100 and 1981 c 190 s 6 are each amended to read
27 as follows:

1 Subject to chapter 48.62 RCW, a water district, by a majority vote
2 of its board of commissioners, may enter into contracts to provide
3 health care services and/or group insurance and/or term life insurance
4 and/or social security insurance for the benefit of its employees and
5 may pay all or any part of the cost thereof. Any two or more water
6 districts or any one or more water districts and one or more sewer
7 districts, by a majority vote of their respective boards of
8 commissioners, may, if deemed expedient, join in the procuring of such
9 health care services and/or group insurance and/or term life insurance,
10 and the board of commissioners of each participating sewer and/or water
11 district may by appropriate resolution authorize their respective
12 district to pay all or any portion of the cost thereof.

13 **Sec. 26.** RCW 43.09.260 and 1979 c 71 s 1 are each amended to read
14 as follows:

15 The state auditor, the chief examiner, and every state examiner
16 shall have power by himself or herself or by any person legally
17 appointed to perform the service, to examine into all financial affairs
18 of every public office and officer.

19 The examination of the financial affairs of all taxing districts
20 shall be made at such reasonable, periodic intervals as the state
21 auditor shall determine. However, an examination of the financial
22 affairs of all taxing districts shall be made at least once in every
23 three years, and an examination of individual local government health
24 and welfare benefit plans and joint local government self-insurance
25 programs shall be made at least once every two years. The term "taxing
26 districts" for purposes of RCW 43.09.190 through 43.09.285 includes but
27 is not limited to all counties, cities, and other political
28 subdivisions, municipal corporations, and quasi-municipal corporations,
29 however denominated.

1 The state auditor shall establish a schedule to govern the auditing
2 of taxing districts which shall include: A designation of the various
3 classifications of taxing districts; a designation of the frequency for
4 auditing each type of taxing district; and a description of events
5 which cause a more frequent audit to be conducted.

6 On every such examination, inquiry shall be made as to the
7 financial condition and resources of the taxing district; whether the
8 Constitution and laws of the state, the ordinances and orders of the
9 taxing district, and the requirements of the division of municipal
10 corporations have been properly complied with; and into the methods and
11 accuracy of the accounts and reports.

12 The state auditor, his or her deputies, every state examiner and
13 every person legally appointed to perform such service, may issue
14 subpoenas and compulsory process and direct the service thereof by any
15 constable or sheriff, compel the attendance of witnesses and the
16 production of books and papers before him or her at any designated time
17 and place, and may administer oaths.

18 When any person summoned to appear and give testimony neglects or
19 refuses so to do, or neglects or refuses to answer any question that
20 may be put to him or her touching any matter under examination, or to
21 produce any books or papers required, the person making such
22 examination shall apply to a superior court judge of the proper county
23 to issue a subpoena for the appearance of such person before him or
24 her; and the judge shall order the issuance of a subpoena for the
25 appearance of such person forthwith before him to give testimony; and
26 if any person so summoned fails to appear, or appearing, refuses to
27 testify, or to produce any books or papers required, he or she shall be
28 subject to like proceedings and penalties for contempt as witnesses in
29 the superior court. Willful false swearing in any such examination
30 shall be perjury and punishable as such.

1 A report of such examination shall be made in triplicate, one copy
2 to be filed in the office of the state auditor, one in the auditing
3 department of the taxing district reported upon, and one in the office
4 of the attorney general. If any such report discloses malfeasance,
5 misfeasance, or nonfeasance in office on the part of any public officer
6 or employee, within thirty days from the receipt of his copy of the
7 report, the attorney general shall institute, in the proper county,
8 such legal action as is proper in the premises by civil process and
9 prosecute the same to final determination to carry into effect the
10 findings of the examination.

11 It shall be unlawful for the county commissioners or any board or
12 officer to make a settlement or compromise of any claim arising out of
13 such malfeasance, misfeasance, or nonfeasance, or any action commenced
14 therefor, or for any court to enter upon any compromise or settlement
15 of such action, without the written approval and consent of the
16 attorney general and the state auditor.

17 NEW SECTION. **Sec. 27.** Sections 1 through 16 of this act shall
18 be added to chapter 48.62 RCW.

19 NEW SECTION. **Sec. 28.** (1) This act shall take effect January
20 1, 1992, but the state risk manager and the state health care authority
21 shall take all steps necessary to implement this act on its effective
22 date.

23 (2) Every individual local government self-insured employee health
24 and welfare plan and joint self-insurance program that has been in
25 continuous operation for at least one year before the effective date of
26 this act need not obtain approval to continue operations until January
27 1, 1993, but must comply with all other provisions of this chapter.

1 NEW SECTION. **Sec. 29.** All rules adopted by the superintendent
2 of public instruction by the effective date of this act that apply to
3 self-insurance programs of educational service districts remain in
4 effect until expressly amended, repealed, or superseded by the state
5 risk manager or the state health care authority.

6 NEW SECTION. **Sec. 30.** If any provision of this act or its
7 application to any person or circumstance is held invalid, the
8 remainder of the act or the application of the provision to other
9 persons or circumstances is not affected.

10 NEW SECTION. **Sec. 31.** The following acts or parts of acts are
11 each repealed:

12 (1) RCW 48.62.010 and 1985 c 277 s 1 & 1979 ex.s. c 256 s 1;

13 (2) RCW 48.62.020 and 1979 ex.s. c 256 s 2;

14 (3) RCW 48.62.030 and 1985 c 277 s 2, 1983 c 59 s 17, & 1979 ex.s.
15 c 256 s 3;

16 (4) RCW 48.62.035 and 1985 c 277 s 3;

17 (5) RCW 48.62.040 and 1986 c 302 s 1, 1985 c 278 s 1, & 1979 ex.s.
18 c 256 s 4;

19 (6) RCW 48.62.050 and 1989 c 175 s 114 & 1979 ex.s. c 256 s 5;

20 (7) RCW 48.62.060 and 1979 ex.s. c 256 s 6;

21 (8) RCW 48.62.070 and 1988 c 281 s 4, 1985 c 277 s 4, & 1979 ex.s.
22 c 256 s 7;

23 (9) RCW 48.62.080 and 1985 c 277 s 5 & 1979 ex.s. c 256 s 8;

24 (10) RCW 48.62.090 and 1979 ex.s. c 256 s 9;

25 (11) RCW 48.62.100 and 1985 c 277 s 6 & 1979 ex.s. c 256 s 10;

26 (12) RCW 48.62.110 and 1985 c 277 s 7 & 1979 ex.s. c 256 s 11; and

27 (13) RCW 48.62.120 and 1979 ex.s. c 256 s 12.