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SENATE BILL 5939

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State of Washington

54th Legislature

1995 Regular Session

By Senators Deccio, Owen, McCaslin and Schow

Read first time 02/15/95. Referred to Committee on Labor, Commerce & Trade.

1 AN ACT Relating to administration of the responsibilities of self-  
2 insurers; and amending RCW 51.14.020.

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

4 **Sec. 1.** RCW 51.14.020 and 1990 c 209 s 1 are each amended to read  
5 as follows:

6 (1) An employer may qualify as a self-insurer by establishing to  
7 the director's satisfaction that he or she has sufficient financial  
8 ability to make certain the prompt payment of all compensation under  
9 this title and all assessments which may become due from such employer.  
10 Each application for certification as a self-insurer submitted by an  
11 employer shall be accompanied by payment of a fee of one hundred fifty  
12 dollars or such larger sum as the director shall find necessary for the  
13 administrative costs of evaluation of the applicant's qualifications.  
14 Any employer who has formerly been certified as a self-insurer and  
15 thereafter ceases to be so certified may not apply for certification  
16 within three years of ceasing to have been so certified.

17 (2)(a) A self-insurer may be required by the director to supplement  
18 existing financial ability by depositing in an escrow account in a  
19 depository designated by the director, money and/or corporate or

1 governmental securities approved by the director, or a surety bond  
2 written by any company admitted to transact surety business in this  
3 state, or provide an irrevocable letter of credit issued by a federally  
4 or state chartered commercial banking institution authorized to conduct  
5 business in the state of Washington filed with the department. The  
6 money, securities, bond, or letter of credit shall be in an amount  
7 reasonably sufficient in the director's discretion to insure payment of  
8 reasonably foreseeable compensation and assessments but not less than  
9 the employer's normal expected annual claim liabilities and in no event  
10 less than one hundred thousand dollars. In arriving at the amount of  
11 money, securities, bond, or letter of credit required under this  
12 subsection, the director shall take into consideration the financial  
13 ability of the employer to pay compensation and assessments and his or  
14 her probable continuity of operation. However, a letter of credit  
15 shall be acceptable only if the self-insurer has a net worth of not  
16 less than five hundred million dollars as evidenced in an annual  
17 financial statement prepared by a qualified, independent auditor using  
18 generally accepted accounting principles. The money, securities, bond,  
19 or letter of credit so deposited shall be held by the director to  
20 secure the payment of compensation by the self-insurer and to secure  
21 payment of his or her assessments. The amount of security may be  
22 increased or decreased from time to time by the director. The income  
23 from any securities deposited may be distributed currently to the self-  
24 insurer.

25 (b) The letter of credit option authorized in (a) of this  
26 subsection shall not apply to self-insurers authorized under RCW  
27 51.14.150 or to self-insurers who are counties, cities, or municipal  
28 corporations.

29 (3) Securities or money deposited by an employer pursuant to  
30 subsection (2) of this section shall be returned to him or her upon his  
31 or her written request provided the employer files the bond required by  
32 such subsection.

33 (4) If the employer seeking to qualify as a self-insurer has  
34 previously insured with the state fund, the director shall require the  
35 employer to make up his or her proper share of any deficit or  
36 insufficiency in the state fund as a condition to certification as a  
37 self-insurer.

38 (5) A self-insurer may reinsure a portion of his or her liability  
39 under this title with any reinsurer authorized to transact such

1 reinsurance in this state: PROVIDED, That the reinsurer may not  
2 participate in the ((administration)) adjudication of the  
3 responsibilities of the self-insurer under this title. Subsidiary  
4 companies, holding companies, or affiliated legal entities of the  
5 reinsurer, not involved in providing reinsurance, shall be allowed to  
6 participate in the administration of the responsibilities of the self-  
7 insurer under this title. Such reinsurance may not exceed eighty  
8 percent of the liabilities under this title.

9 (6) For purposes of the application of this section, the department  
10 may adopt separate rules establishing the security requirements  
11 applicable to units of local government. In setting such requirements,  
12 the department shall take into consideration the ability of the  
13 governmental unit to meet its self-insured obligations, such as but not  
14 limited to source of funds, permanency, and right of default.

15 (7) The director shall adopt rules to carry out the purposes of  
16 this section including, but not limited to, rules respecting the terms  
17 and conditions of letters of credit and the establishment of the  
18 appropriate level of net worth of the self-insurer to qualify for use  
19 of the letter of credit. Only letters of credit issued in strict  
20 compliance with the rules shall be deemed acceptable.

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