

SENATE BILL REPORT

ESB 6158

As Passed Senate, February 17, 2004

Title: An act relating to the Washington insurance guaranty association act.

Brief Description: Creating the longshore and harbor workers' compensation act insurance guaranty committee.

Sponsors: Senators Prentice, Benton and Winsley.

Brief History:

Committee Activity: Financial Services, Insurance & Housing: 1/27/04 [DP].
Passed Senate: 2/17/04, 48-0.

SENATE COMMITTEE ON FINANCIAL SERVICES, INSURANCE & HOUSING

Majority Report: Do pass.

Signed by Senators Benton, Chair; Winsley, Vice Chair; Berkey, Murray, Prentice and Roach.

Staff: Lilah Amos (786-7429)

Background: Insurance guaranty associations have been created in Washington to cover life and disability insurance policies and some casualty insurance policies. Their purpose is to provide a mechanism for payment of covered claims when an insurer becomes insolvent and to assess the cost of such protection among insurers.

Under federal law, businesses whose employees work in maritime employment on or near navigable waters of the United States are required to purchase longshore and harbor workers' compensation act insurance. This insurance is available through private insurers or through an assigned risk plan created in Washington law. Insurers who provide longshore and harbor workers compensation act insurance policies are not covered by a Washington insurance guaranty association. Consequently, if an insurer becomes insolvent, there is no mechanism for payment of covered claims by a pool to which all insurers in this type of plan contribute. Employers who purchase longshore and harbor workers' compensation insurance from private insurers remain responsible for an employee's job-related injury or death if the insurer becomes insolvent.

Summary of Bill: The Insurance Commissioner is directed to create a committee to study the best method to provide insurance guaranty protection for longshore and harbor workers' compensation act insurance policyholders and employees. The committee consists of labor and businesses involved in the longshore and harbor workers' and insurance guaranty areas and are appointed by the Insurance Commissioner. Written recommendations must be made to the Legislature by December 1, 2004.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: There is no statutory protection for longshore and harbor workers when their insurers are insolvent, and coverage is needed to protect these workers. The bill builds up an assessment pool which can be tapped to pay claims against insolvent insurers.

Testimony Against: Other insurers might end up paying cost of this coverage. The assessment pool is insufficient. There are technical problems with the bill.

Testified: Stephen Buckner, Dale Newell, Insurance Brokers of the West (pro); Concerns: Bill Daley, OIC; Mel Sorenson, National Assn. of Independent Insurers & AAI; Basil Badley, American Insurance Assoc. (con).

House Amendment(s): The Insurance Commissioner must study and develop recommendations regarding the impact and effectiveness of covering longshore and harbor workers' compensation act insurance under the Washington Guarantee Association. The requirement that the commissioner create a committee to study the issue is eliminated, but the commissioner is directed to consult with appropriate interested parties.

The Insurance Commissioner is also required to study the impact of covering workers' compensation policies purchased on the commercial market under the Washington Guarantee Association, and the impact of excluding certain policies, including those purchased for tribal employment, from guaranty act protection.

A report on the results of the study is required by December 1, 2004.