

---

**Business & Financial Services Committee**

---

**HB 1475**

**Brief Description:** Addressing premiums on policies issued through the Washington longshore and harbor workers' compensation act insurance assigned risk plan.

**Sponsors:** Representatives Kirby and Vick.

**Brief Summary of Bill**

- Excludes premiums on policies issued on behalf of the Washington Assigned Risk Plan from any assessment by the Washington Insurance Guaranty Association.

**Hearing Date:** 2/3/15

**Staff:** Linda Merelle (786-7092).

**Background:**

*United State Longshore and Harbor Workers' Compensation Act.*

Under the United States Longshore and Harbor Workers' (USL&H) Compensation Act, businesses whose employees are employed in maritime employment on or near the navigable waters of the United States are required to purchase USL&H workers' compensation insurance. This includes businesses that provide services on docks, such as electricians and other contractors. Workers' compensation insurance offered through the Department of Labor and Industries (L&I) does not cover maritime employees and others covered under the USL&H Compensation Act. Insurance is available from private insurers authorized to write coverage in the State of Washington. If an employer cannot obtain this insurance coverage through the private market, the employer can purchase coverage from the Washington Assigned Risk Plan (Risk Plan).

*Washington Assigned Risk Plan.*

---

*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.*

The Risk Plan was initially adopted on a temporary basis in 1992. It was extended in 1993 and it was made permanent in 1995. Its purpose is to provide workers' compensation insurance coverage for employers unable to obtain insurance through the private market. Under the plan, all insurers writing USL&H compensation insurance and the L&I participate in underwriting the losses for this coverage. The losses are split equally between the L&I and the private insurers.

The Risk Plan is not an insurer. Instead, a servicing carrier, an authorized insurer designated by the Risk Plan and approved by the Office of the Insurance Commissioner and the United States Department of Labor, issues policies on behalf of the Risk Plan.

#### *Washington Insurance Guaranty Association.*

The purpose of a guaranty association is to provide a mechanism for payment of covered claims when an insurer becomes insolvent. The association spreads the cost through assessments on member insurers. There are two insurance guaranty associations in Washington. One covers life and disability insurance policies. The second, the Washington Insurance Guaranty Association (WIGA), covers most property and casualty insurance policies. Since 2005, the WIGA has covered insurers who write USL&H insurance. The WIGA currently has three accounts: one account for automobile insurance, one for USL&H Compensation Act insurance, and one account for all other insurances.

#### *Assessments.*

The WIGA must assess member insurers separately for each account for the amounts necessary to pay its obligations. A member insurer is any entity that writes a policy within the covered categories of insurance and that holds a certificate of authority to transact insurance in Washington. Member insurers include those who write USL&H policies. For member insurers, the assessments of each member must be based upon the proportion of the net direct written premiums of that member compared to the net direct written premiums for all members. The net direct written premiums are the total premiums received by insurance companies on policies written in Washington. They do not, however, include premiums on contracts between insurers or reinsurers.

For insurers who write policies pursuant to the USL&H Compensation Act, the assessment must be at a rate determined by the WIGA, but not more than an annual rate of 3 percent of the net direct written premiums for the previous year.

#### **Summary of Bill:**

Under this bill, the definition of "net direct written premiums" is modified to exclude premiums on policies issued on behalf of the Risk Plan by its servicing carrier.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.