WAC 200-120-250 Standards for management and operations—Conflict of interest. (1) Every joint self-insurance program formed under this chapter shall require the claims auditor, the private third-party administrator, the actuary, and the broker of record to contract separately with the joint self-insurance program. Each contract shall require that a written statement be submitted to the program on a form provided by the state risk manager providing assurance that no conflict of interest exists prior to acceptance of the contract by the joint self-insurance program.

(2) All joint self-insurance programs shall meet the following standards regarding restrictions on the financial interests of the program administrators:

(a) No member of the board of directors, private business, including a third-party administrator, or any other person having responsibility for the management or administration of a joint self-insurance program or the investment or other handling of the program's money shall:

(i) Receive directly or indirectly or be pecuniarily interested in any fee, commission, compensation, or emolument arising out of any transaction to which the program is or is expected to be a party except for salary or other similar compensation regularly fixed and allowed for because of services regularly rendered to the program.

(ii) Receive compensation as a consultant to the program while also acting as a member of the board of directors, private third-party administrator, or as an employee.

(iii) Have any direct or indirect pecuniary interest in any loan or investment of the program.

(b) No consultant or legal counsel to the joint self-insurance program shall directly or indirectly receive or be pecuniarily interested in any commission or other compensation arising out of any contract or transaction between the joint self-insurance program and any insurer or consultant except for salary and other similar compensation regularly fixed and allowed for because of services regularly rendered to the program.

(c) Brokers of record for the joint self-insurance programs may receive compensation for insurance transactions performed within the scope of their licenses. The amount and other terms of compensation of a broker of record shall be provided for in a written contract approved by the board of directors. Any such contract shall include a provision that contingent commissions or other forms of compensation not specified in the contract shall not be paid to the broker of record as a result of any joint self-insurance program insurance transactions. The joint self-insurance program shall establish a contract provision which requires the broker provide to the board of directors of the joint self-insurance program a written annual report on a form provided by the state risk manager which discloses the actual financial compensation received. The report shall include verification that no undisclosed commission was received as a result of any such insurance transaction made on behalf of the program.

(d) No employee or other representative of a broker of record, insurer or private third-party administrator shall serve as an officer or on the board of directors of a self-insurance program.

[Statutory Authority: 2011 c 43. WSR 11-23-093, recodified as § 200-120-250, filed 11/17/11, effective 11/17/11. Statutory Authority:

Chapter 48.64 RCW, RCW 48.64.015, and 42.64.020. WSR 11-06-001, § 82-70-250, filed 2/16/11, effective 3/19/11.]