

2 ESHB 1907 - S AMD  
3 By Senator Von Reichbauer

4 ADOPTED 6/28/91 - Voice Vote  
5 Strike everything after the enacting clause and insert the  
6 following:

7 "NEW SECTION. Sec. 1. This chapter is intended to provide the  
8 exclusive source of local government entity authority to individually  
9 or jointly self-insure risks, jointly purchase insurance or  
10 reinsurance, and to contract for risk management, claims, and  
11 administrative services. This chapter shall be liberally construed to  
12 grant local government entities maximum flexibility in self-insuring to  
13 the extent the self-insurance programs are operated in a safe and sound  
14 manner. This chapter is intended to require prior approval for the  
15 establishment of every individual local government self-insured  
16 employee health and welfare benefit program and every joint local  
17 government self-insurance program. In addition, this chapter is  
18 intended to require every local government entity that establishes a  
19 self-insurance program not subject to prior approval to notify the  
20 state of the existence of the program and to comply with the regulatory  
21 and statutory standards governing the management and operation of the  
22 programs as provided in this chapter. This chapter is not intended to  
23 authorize or regulate self-insurance of unemployment compensation under  
24 chapter 50.44 RCW, or industrial insurance under chapter 51.14 RCW."

25 "NEW SECTION. Sec. 2. Unless the context clearly requires  
26 otherwise, the definitions in this section apply throughout this  
27 chapter.

1 (1) "Local government entity" or "entity" means every unit of local  
2 government, both general purpose and special purpose, and includes, but  
3 is not limited to, counties, cities, towns, port districts, public  
4 utility districts, water districts, sewer districts, school districts,  
5 fire protection districts, irrigation districts, metropolitan municipal  
6 corporations, conservation districts, and other political subdivisions,  
7 governmental subdivisions, municipal corporations, and quasi-municipal  
8 corporations.

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

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

15 (4) "Health and welfare benefits" means a plan or program  
16 established by a local government entity or entities for the purpose of  
17 providing its employees and their dependents, and in the case of school  
18 districts, its district employees, students, directors, or any of their  
19 dependents, with health care, accident, disability, death, and salary  
20 protection benefits.

21 (5) "Property and liability risks" includes the risk of property  
22 damage or loss sustained by a local government entity and the risk of  
23 claims arising from the tortious or negligent conduct or any error or  
24 omission of the local government entity, its officers, employees,  
25 agents, or volunteers as a result of which a claim may be made against  
26 the local government entity.

27 (6) "State risk manager" means the state risk manager of the  
28 division of risk management within the department of general  
29 administration."

1        "NEW SECTION. Sec. 3.        (1) The governing body of a local  
2 government entity may individually self-insure, may join or form a  
3 self-insurance program together with other entities, and may jointly  
4 purchase insurance or reinsurance with other entities for property and  
5 liability risks, and health and welfare benefits only as permitted  
6 under this chapter. In addition, the entity or entities may contract  
7 for or hire personnel to provide risk management, claims, and  
8 administrative services in accordance with this chapter.

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

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

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

16       (a) Contract or otherwise provide for risk management and loss  
17 control services;

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

20       (c) Consult with the state insurance commissioner and the state  
21 risk manager;

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

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

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

1 (6) Every joint self-insurance program governed by this chapter  
2 shall appoint the risk manager as its attorney to receive service of,  
3 and upon whom shall be served, all legal process issued against it in  
4 this state upon causes of action arising in this state.

5 (a) Service upon the risk manager as attorney shall constitute  
6 service upon the program. Service upon joint insurance programs  
7 subject to this act can be had only by service upon the risk manager.  
8 At the time of service, the plaintiff shall pay to the risk manager a  
9 fee to be set by the risk manager, taxable as costs in the action.

10 (b) With the initial filing for approval with the risk manager,  
11 each joint self-insurance program shall designate by name and address  
12 the person to whom the risk manager shall forward legal process so  
13 served upon him or her. The joint self-insurance program may change  
14 such person by filing a new designation.

15 (c) The appointment of the risk manager as attorney shall be  
16 irrevocable, shall bind any successor in interest or to the assets or  
17 liabilities of the joint self-insurance program, and shall remain in  
18 effect as long as there is in force in this state any contract made by  
19 the joint self-insurance program or liabilities or duties arising  
20 therefrom.

21 (d) The risk manager shall keep a record of the day and hour of  
22 service upon him or her of all legal process. A copy of the process,  
23 by registered mail with return receipt requested, shall be sent by the  
24 risk manager, to the person designated for the purpose by the joint  
25 self-insurance program in its most recent such designation filed with  
26 the risk manager. No proceedings shall be had against the joint self-  
27 insurance program, and the program shall not be required to appear,  
28 plead, or answer, until the expiration of forty days after the date of  
29 service upon the risk manager."

1           "NEW SECTION. Sec. 4.

2                                   (1) The property and liability advisory  
3 board is created, consisting of the insurance commissioner and the  
4 state risk manager, or their designees, as ex officio members and five  
5 members appointed by the governor on the basis of their experience and  
6 knowledge in matters pertaining to local government risk management,  
7 self-insurance, and management of joint self-insurance programs. The  
8 board shall include at least two representatives from individual  
9 property or liability self-insurance programs and at least two  
10 representatives from joint property or liability self-insurance  
11 programs.

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

13                                   (a) Adopting rules governing the operation and management of both  
14 individual and joint self-insurance programs covering liability and  
15 property risks;

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

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

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

24                                   (3) The board shall annually elect a chair and a vice-chair from  
25 its members. The board shall meet at least quarterly at such times as  
26 the state risk manager may fix. The board members who are appointed  
27 shall serve without compensation from the state but shall suffer no  
28 loss because of absence from their regular employment. Members of the  
29 board who are not public employees shall be compensated in accordance  
30 with RCW 43.03.240.

1 (4) A majority of the board constitutes a quorum for the  
2 transaction of business.

3 (5) The board shall keep public records of its proceedings."

4 "NEW SECTION. Sec. 5. (1) The health and welfare advisory  
5 board is created consisting of the insurance commissioner and the state  
6 risk manager, or their designees, as ex officio members and six members  
7 appointed by the governor on the basis of their experience and  
8 knowledge pertaining to local government self-insured health and  
9 welfare benefits programs. The board shall include one city management  
10 representative; one county management representative; two management  
11 representatives from local government self-insured health and welfare  
12 programs; and two representatives of state-wide employee organizations  
13 representing local government employees.

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

15 (a) Adopting rules governing the operation and management of both  
16 individual and joint self-insured health and welfare benefits programs;

17 (b) Reviewing and approving the creation of both individual and  
18 joint self-insured health and welfare benefits programs;

19 (c) Reviewing annual reports filed by health and welfare benefits  
20 programs and in recommending that corrective action be taken by the  
21 programs when necessary; and

22 (d) Responding to concerns of the state auditor related to the  
23 management and operation of health and welfare benefits programs.

24 (3) The board shall annually elect a chair and a vice-chair from  
25 its members. The board shall meet at least quarterly at such times as  
26 the state risk manager may fix. The board members who are appointed  
27 shall serve without compensation from the state but shall suffer no  
28 loss because of absence from their regular employment. Members of the

1 board who are not public employees shall be compensated in accordance  
2 with RCW 43.03.240.

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

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

6 "NEW SECTION. Sec. 6. The state risk manager, in consultation  
7 with the property and liability advisory board, shall adopt rules  
8 governing the management and operation of both individual and joint  
9 local government self-insurance programs covering property or liability  
10 risks. The state risk manager shall also adopt rules governing the  
11 management and operation of both individual and joint local government  
12 self-insured health and welfare benefits programs in consultation with  
13 the health and welfare benefits advisory board. All rules shall be  
14 appropriate for the type of program and class of risk covered. The  
15 state risk manager's rules shall include:

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

19 (2) Standards for claims management procedures; and

20 (3) Standards for contracts between self-insurance programs and  
21 private businesses including standards for contracts between third-  
22 party administrators and programs."

23 "NEW SECTION. Sec. 7. Before the establishment of a joint  
24 self-insurance program covering property or liability risks by local  
25 government entities, or an individual or joint local government self-  
26 insured health and welfare benefits program, the entity or entities  
27 must obtain the approval of the state risk manager. Risk manager  
28 approval is not required for the establishment of an individual local

1 government self-insurance program covering property or liability risks.  
2 The entity or entities proposing creation of a self-insurance program  
3 requiring prior approval shall submit a plan of management and  
4 operation to the state risk manager and the state auditor that provides  
5 at least the following information:

6 (1) The risk or risks to be covered, including any coverage  
7 definitions, terms, conditions, and limitations or in the case of  
8 health and welfare benefits programs, the benefits to be provided,  
9 including any benefit definitions, terms, conditions, and limitations;

10 (2) The amount and method of financing the benefits or covered  
11 risks, including the initial capital and proposed rates and projected  
12 premiums;

13 (3) The proposed claim reserving practices;

14 (4) The proposed purchase and maintenance of insurance or  
15 reinsurance in excess of the amounts retained by the self-insurance  
16 program;

17 (5) In the case of a joint program, the legal form of the program,  
18 including but not limited to any bylaws, charter, or trust agreement;

19 (6) In the case of a joint program, the agreements with members of  
20 the program defining the responsibilities and benefits of each member  
21 and management;

22 (7) The proposed accounting, depositing, and investment practices  
23 of the program;

24 (8) The proposed time when actuarial analysis will be first  
25 conducted and the frequency of future actuarial analysis;

26 (9) A designation of the individual upon whom service of process  
27 shall be executed on behalf of the program. In the case of a joint  
28 program, a designation of the individual to whom service of process  
29 shall be forwarded by the risk manager on behalf of the program;

1 (10) All contracts between the program and private persons  
2 providing risk management, claims, or other administrative services;

3 (11) A professional analysis of the feasibility of creation and  
4 maintenance of the program; and

5 (12) Any other information required by rule of the state risk  
6 manager that is necessary to determine the probable financial and  
7 management success of the program or that is necessary to determine  
8 compliance with this chapter."

9 "NEW SECTION. Sec. 8. A local government entity may  
10 participate in a joint self-insurance program covering property or  
11 liability risks with similar local government entities from other  
12 states if the program satisfies the following requirements:

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

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

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

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

27 (5) The financial statements of the program shall be audited  
28 annually by the certified public accountants for the program, and such  
29 audited financial statements shall be delivered to the Washington state

1 auditor and the state risk manager not more than one hundred twenty  
2 days after the end of each fiscal year of the program;

3 (6) The investments of the program shall be initiated only with  
4 financial institutions and/or broker-dealers doing business in those  
5 states in which participating entities are located, and such  
6 investments shall be audited annually by the certified public  
7 accountants for the program, and a list of such investments shall be  
8 delivered to the Washington state auditor not more than one hundred  
9 twenty days after the end of each fiscal year of the program;

10 (7) The treasurer of a multistate joint self-insurance program  
11 shall be designated by resolution of the program and such treasurer  
12 shall be located in the state of one of the participating entities;

13 (8) The participating entities may have no contingent liabilities  
14 for covered claims, other than liabilities for unpaid premiums,  
15 retrospective premiums, or assessments, if assets of the program are  
16 insufficient to cover the program's liabilities; and

17 (9) The program shall obtain approval from the state risk manager  
18 in accordance with this chapter and shall remain in compliance with the  
19 provisions of this chapter, except to the extent that such provisions  
20 are modified by or inconsistent with this section."

21 "NEW SECTION. Sec. 9. (1) Within one hundred twenty days of  
22 receipt of a plan of management and operation, the state risk manager  
23 shall either approve or disapprove the formation of the self-insurance  
24 program after reviewing the plan to determine whether the proposed  
25 program complies with this chapter and all rules adopted in accordance  
26 with this chapter.

27 (2) If the state risk manager denies a request for approval, the  
28 state risk manager shall specify in detail the reasons for denial and

1 the manner in which the program fails to meet the requirements of this  
2 chapter or any rules adopted in accordance with this chapter.

3 (3) Whenever the state risk manager determines that a joint self-  
4 insurance program covering property or liability risks or an individual  
5 or joint self-insured health and welfare benefits program is in  
6 violation of this chapter or is operating in an unsafe financial  
7 condition, the state risk manager may issue and serve upon the program  
8 an order to cease and desist from the violation or practice.

9 (a) The state risk manager shall deliver the order to the  
10 appropriate entity or entities directly or mail it to the appropriate  
11 entity or entities by registered mail with return receipt requested.

12 (b) If the program violates the order or has not taken steps to  
13 comply with the order after the expiration of twenty days after the  
14 cease and desist order has been received by the program, the program is  
15 deemed to be operating in violation of this chapter, and the state risk  
16 manager shall notify the state auditor and the attorney general of the  
17 violation.

18 (c) After hearing or with the consent of a program governed by this  
19 chapter and in addition to or in lieu of a continuation of the cease  
20 and desist order, the risk manager may levy a fine upon the program in  
21 an amount not less than three hundred dollars and not more than ten  
22 thousand dollars. The order levying such fine shall specify the period  
23 within which the fine shall be fully paid. The period within which  
24 such fines shall be paid shall not be less than fifteen nor more than  
25 thirty days from the date of such order. Upon failure to pay any such  
26 fine when due the risk manager shall request the attorney general to  
27 bring a civil action on the risk manager's behalf to collect the fine.  
28 The risk manager shall pay any fine so collected to the state treasurer  
29 for the account of the general fund.

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

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

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

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

10 (d) An actuarial analysis, if required;

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

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

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

15 (5) No self-insurance program requiring the state risk manager's  
16 approval may engage in an act or practice that in any respect  
17 significantly differs from the management and operation plan that  
18 formed the basis for the state risk manager's approval of the program  
19 unless the program first notifies the state risk manager in writing and  
20 obtains the state risk manager's approval. The state risk manager  
21 shall approve or disapprove the proposed change within sixty days of  
22 receipt of the notice. If the state risk manager denies a requested  
23 change, the risk manager shall specify in detail the reasons for denial  
24 and the manner in which the program would fail to meet the requirements  
25 of this chapter or any rules adopted in accordance with this chapter."

26 "NEW SECTION. Sec. 10. (1) All self-insurance programs governed  
27 by this chapter may provide for executive sessions in accordance with  
28 chapter 42.30 RCW to consider litigation and settlement of claims when

1 it appears that public discussion of these matters would impair the  
2 program's ability to conduct its business effectively.

3 (2) Notwithstanding any provision to the contrary contained in the  
4 public disclosure act, chapter 42.17 RCW, in a claim or action against  
5 the state or a local government entity, no person is entitled to  
6 discover that portion of any funds or liability reserve established for  
7 purposes of satisfying a claim or cause of action, except that the  
8 reserve is discoverable in a supplemental or ancillary proceeding to  
9 enforce a judgment. All other records of individual or joint self-  
10 insurance programs are subject to disclosure in accordance with chapter  
11 42.17 RCW.

12 (3) In accordance with chapter 42.17 RCW, bargaining groups  
13 representing local government employees shall have reasonable access  
14 to information concerning the experience and performance of any health  
15 and welfare benefits program established for the benefit of such  
16 employees."

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

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

26 (3) Local government members of a joint self-insurance program may  
27 by resolution of the program designate some other person having  
28 experience in financial or fiscal matters as treasurer of the program,  
29 if that designated treasurer is located in Washington state. The

1 program shall, unless the program's treasurer is a county treasurer,  
2 require a bond obtained from a surety company authorized to do business  
3 in Washington in an amount and under the terms and conditions that the  
4 program finds will protect against loss arising from mismanagement or  
5 malfeasance in investing and managing program funds. The program may  
6 pay the premium on the bond.

7 All program funds must be paid to the treasurer and shall be  
8 disbursed by the treasurer only on warrants issued by the treasurer or  
9 a person appointed by the program and upon orders or vouchers approved  
10 by the program or as authorized under chapters 35A.40 and 42.24 RCW.  
11 The treasurer shall establish a program account, into which shall be  
12 recorded all program funds, and the treasurer shall maintain such  
13 special accounts as may be created by the program into which the  
14 treasurer shall record all money as the program may direct by  
15 resolution.

16 (4) The treasurer of the joint program shall deposit all program  
17 funds in a qualified public depository or depositories as defined in  
18 RCW 39.58.010(2) and under the same restrictions, contracts, and  
19 security as provided for any participating local government entity, and  
20 such depository shall be designated by resolution of the program.

21 (5) A joint self-insurance program may invest all or a portion of  
22 its assets by depositing the assets with the state investment board, to  
23 be invested by the state investment board in accordance with chapter  
24 43.33A RCW. The state investment board shall designate a manager for  
25 those funds to whom the program may direct requests for disbursement  
26 upon orders or vouchers approved by the program or as authorized under  
27 chapters 35A.40 and 42.24 RCW.

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

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

4 (8) Subsections (3) and (4) of this section do not apply to a  
5 multistate joint self-insurance program governed by section 8 of this  
6 act."

7 "NEW SECTION. Sec. 12. (1) No employee or official of a local  
8 government entity may directly or indirectly receive anything of value  
9 for services rendered in connection with the operation and management  
10 of a self-insurance program other than the salary and benefits provided  
11 by his or her employer or the reimbursement of expenses reasonably  
12 incurred in furtherance of the operation or management of the program.  
13 No employee or official of a local government entity may accept or  
14 solicit anything of value for personal benefit or for the benefit of  
15 others under circumstances in which it can be reasonably inferred that  
16 the employee's or official's independence of judgment is impaired with  
17 respect to the management and operation of the program.

18 (2) No local government entity may participate in a joint self-  
19 insurance program in which local government entities do not retain  
20 complete governing control. This prohibition does not apply to local  
21 government contribution to a self-insured employee health and welfare  
22 benefits plan otherwise authorized and governed by state statute nor to  
23 local government participation in a multistate joint program where  
24 control is shared with local government entities from other states.

25 (3) Moneys made available and moneys expended by school districts  
26 and educational service districts for self-insurance under this chapter  
27 are subject to such rules of the superintendent of public instruction  
28 as the superintendent may adopt governing budgeting and accounting.  
29 However, the superintendent shall ensure that the rules are consistent

1 with those adopted by the state risk manager for the management and  
2 operation of self-insurance programs.

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

5 (5) Every individual and joint local government self-insured health  
6 and welfare benefits program that provides comprehensive coverage for  
7 health care services shall include mandated benefits that the state  
8 health care authority is required to provide under RCW 41.05.170 and  
9 41.05.180. The state risk manager may adopt rules identifying the  
10 mandated benefits."

11 "NEW SECTION. Sec. 13. Every local government entity that has  
12 established a self-insurance program not subject to the prior approval  
13 requirements of this chapter shall provide written notice to the state  
14 auditor of the existence of the program. The notice must identify the  
15 manager of the program and the class or classes of risk self-insured.  
16 The notice must also identify all investments and distribution of  
17 assets of the program, the current depository of assets and the  
18 program's designation of asset depository and investment agent as  
19 required by section 11 of this act. In addition, the local government  
20 entity shall notify the state auditor whenever the program covers a new  
21 class of risk or discontinues the self-insurance of a class of risk."

22 "NEW SECTION. Sec. 14. Every joint self-insurance program  
23 covering liability or property risks, excluding multistate programs  
24 governed by section 8 of this act, shall provide for the contingent  
25 liability of participants in the program if assets of the program are  
26 insufficient to cover the program's liabilities."

1           "NEW SECTION.   **Sec. 15.**     A joint self-insurance program approved  
2 in accordance with this chapter is exempt from insurance premium taxes,  
3 from fees assessed under chapter 48.02 RCW, from chapters 48.32 and  
4 48.32A RCW, from business and occupations taxes imposed under chapter  
5 82.04 RCW, and from any assigned risk plan or joint underwriting  
6 association otherwise required by law. This section does not apply to  
7 and no exemption is provided for insurance companies issuing policies  
8 to cover program risks, nor does it apply to or provide an exemption  
9 for third-party administrators or brokers serving the self-insurance  
10 program."

11           "NEW SECTION.   **Sec. 16.**     (1) The state risk manager shall  
12 establish and charge an investigation fee in an amount necessary to  
13 cover the costs for the initial review and approval of a self-insurance  
14 program. The fee must accompany the initial submission of the plan of  
15 operation and management.

16           (2) The costs of subsequent reviews and investigations shall be  
17 charged to the self-insurance program being reviewed or investigated in  
18 accordance with the actual time and expenses incurred in the review or  
19 investigation.

20           (3) After the formation of the two advisory boards, each board may  
21 calculate, levy, and collect from each joint property and liability  
22 self-insurance program and each individual and joint health and welfare  
23 benefit program regulated by this chapter a start-up assessment to pay  
24 initial expenses and operating costs of the boards and the risk  
25 manager's office in administering this chapter. Any program failing to  
26 remit its assessment when due is subject to denial of permission to  
27 operate or to a cease and desist order until the assessment is paid."

1        "NEW SECTION. Sec. 17.        (1) Any person who files reports or  
2 furnishes other information required under Title 48 RCW, required by  
3 the risk manager or the state auditor under authority granted by Title  
4 48 RCW, or which is useful to the risk manager or the state auditor in  
5 the administration of Title 48 RCW, shall be immune from liability in  
6 any civil action or suit arising from the filing of any such report or  
7 furnishing such information to the risk manager or to the state  
8 auditor, unless actual malice, fraud, or bad faith is shown.

9        (2) The risk manager and the state auditor, and the agents and  
10 employees of each, are immune from liability in any civil action or  
11 suit arising from the publication of any report or bulletins or arising  
12 from dissemination of information related to the official activities of  
13 the risk manager, the advisory boards, or the state auditor, unless  
14 actual malice, fraud, or bad faith is shown.

15        (3) The immunity granted by this section is in addition to any  
16 common law or statutory privilege or immunity enjoyed by such person,  
17 and nothing in this section is intended to abrogate or modify in any  
18 way such common law or statutory privilege or immunity."

19        "**Sec. 18.** RCW 41.04.180 and 1974 ex.s. c 82 s 1 are each amended  
20 to read as follows:

21        Any county, municipality, or other political subdivision of the  
22 state acting through its principal supervising official or governing  
23 body may, whenever funds shall be available for that purpose provide  
24 for all or a part of hospitalization and medical aid for its employees  
25 and their dependents through contracts with regularly constituted  
26 insurance carriers or with health care service contractors as defined  
27 in chapter 48.44 RCW or self-insurers as provided for in chapter  
28 ((48.52)) 48.62 RCW, for group hospitalization and medical aid policies  
29 or plans: PROVIDED, That any county, municipality, or other political

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

13       **"Sec. 19.** RCW 35.23.460 and 1965 c 7 s 35.23.460 are each amended  
14 to read as follows:

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

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

26       Except as otherwise provided in this title, the general provisions  
27 relating to public employment, including hospitalization and medical  
28 aid as provided in chapter 41.04 RCW, and the application of federal

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

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

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

22 Nothing in this section shall impair the eligibility of any  
23 employee of a county, municipality, or other political subdivision  
24 under RCW 41.04.205."

25 "Sec. 22. RCW 53.08.170 and 1987 c 50 s 1 are each amended to read  
26 as follows:

27 The port commission shall have authority to create and fill  
28 positions, to fix wages, salaries and bonds thereof, to pay costs and

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

13 Subject to chapter 48.62 RCW, the port commission shall have  
14 authority to provide or pay such benefits directly, or to provide for  
15 such benefits by the purchase of insurance policies or entering into  
16 contracts with and compensating any person, firm, agency or  
17 organization furnishing such benefits, or by making contributions to  
18 vacation plans or funds, or health and welfare plans and funds, or  
19 pension plans or funds, or similar plans or funds, already established  
20 by other employers of similar employees and in which the port district  
21 is permitted to participate for particular classifications of its  
22 employees by the trustees or other persons responsible for the  
23 administration of such established plans or funds: PROVIDED FURTHER,  
24 That no port district employee shall be allowed to apply for admission  
25 to or be accepted as a member of the state employees' retirement system  
26 after January 1, 1965, if admission to such system would result in  
27 coverage under both a private pension system and the state employees'  
28 retirement system, it being the purpose of this proviso that port  
29 districts shall not at the same time contribute for any employee to  
30 both a private pension or retirement plan and to the state employees'

1 retirement system. The port commission shall have authority by  
2 resolution to utilize and compensate agents for the purpose of paying,  
3 in the name and by the check of such agent or agents or otherwise,  
4 wages, salaries and other benefits to employees, or particular  
5 classifications thereof, and for the purpose of withholding payroll  
6 taxes and paying over tax moneys so withheld to appropriate government  
7 agencies, on a combined basis with the wages, salaries, benefits, or  
8 taxes of other employers or otherwise; to enter into such contracts and  
9 arrangements with and to transfer by warrant such funds from time to  
10 time to any such agent or agents so appointed as are necessary to  
11 accomplish such salary, wage, benefit, or tax payments as though the  
12 port district were a private employer, notwithstanding any other  
13 provision of the law to the contrary. The funds of a port district  
14 transferred to such an agent or agents for the payment of wages or  
15 salaries of its employees in the name or by the check of such agent or  
16 agents shall be subject to garnishment with respect to salaries or  
17 wages so paid, notwithstanding any provision of the law relating to  
18 municipal corporations to the contrary."

19 "Sec. 23. RCW 54.04.050 and 1984 c 15 s 1 are each amended to read  
20 as follows:

21 (1) Subject to chapter 48.62 RCW, any public utility district  
22 engaged in the operation of electric or water utilities may enter into  
23 contracts of group insurance for the benefit of its employees, and pay  
24 all or any part of the premiums for such insurance. Such premiums  
25 shall be paid out of the revenues derived from the operation of such  
26 properties: PROVIDED, That if the premium is to be paid by the  
27 district and employees jointly, and the benefits of the policy are  
28 offered to all eligible employees, not less than seventy-five percent  
29 of such employees may be so insured.

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

8 "Sec. 24. RCW 56.08.100 and 1991 c 82 s 1 are each amended to read  
9 as follows:

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

22 A sewer district with five thousand or more customers providing  
23 health, group, or life insurance to its employees may provide its  
24 commissioners with the same coverage: PROVIDED, That the per person  
25 amounts for such insurance paid by the district shall not exceed the  
26 per person amounts paid by the district for its employees."

27 "Sec. 25. RCW 57.08.100 and 1991 c 82 s 5 are each amended to read  
28 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        A water district with five thousand or more customers providing  
14 health, group, or life insurance to its employees may provide its  
15 commissioners with the same coverage: PROVIDED, That the per person  
16 amounts for such insurance paid by the district shall not exceed the  
17 per person amounts paid by the district for its employees."

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

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

24        The examination of the financial affairs of all taxing districts  
25 shall be made at such reasonable, periodic intervals as the state  
26 auditor shall determine. However, an examination of the financial  
27 affairs of all taxing districts shall be made at least once in every  
28 three years, and an examination of individual local government health  
29 and welfare benefit plans and local government self-insurance programs

1 shall be made at least once every two years. The term "taxing  
2 districts" for purposes of RCW 43.09.190 through 43.09.285 includes but  
3 is not limited to all counties, cities, and other political  
4 subdivisions, municipal corporations, and quasi-municipal corporations,  
5 however denominated.

6 The state auditor shall establish a schedule to govern the auditing  
7 of taxing districts which shall include: A designation of the various  
8 classifications of taxing districts; a designation of the frequency for  
9 auditing each type of taxing district; and a description of events  
10 which cause a more frequent audit to be conducted.

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

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

23 When any person summoned to appear and give testimony neglects or  
24 refuses so to do, or neglects or refuses to answer any question that  
25 may be put to him or her touching any matter under examination, or to  
26 produce any books or papers required, the person making such  
27 examination shall apply to a superior court judge of the proper county  
28 to issue a subpoena for the appearance of such person before him or  
29 her; and the judge shall order the issuance of a subpoena for the  
30 appearance of such person forthwith before him to give testimony; and

1 if any person so summoned fails to appear, or appearing, refuses to  
2 testify, or to produce any books or papers required, he or she shall be  
3 subject to like proceedings and penalties for contempt as witnesses in  
4 the superior court. Willful false swearing in any such examination  
5 shall be perjury and punishable as such.

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

16 It shall be unlawful for the county commissioners or any board or  
17 officer to make a settlement or compromise of any claim arising out of  
18 such malfeasance, misfeasance, or nonfeasance, or any action commenced  
19 therefor, or for any court to enter upon any compromise or settlement  
20 of such action, without the written approval and consent of the  
21 attorney general and the state auditor."

22 "Sec. 27. RCW 39.58.080 and 1986 c 160 s 1 are each amended to  
23 read as follows:

24 Except for funds deposited pursuant to a fiscal agency contract  
25 with the state fiscal agent or its correspondent bank, and funds  
26 deposited pursuant to a local government multistate joint self-  
27 insurance program as provided in section 8 of this act, no public funds  
28 shall be deposited in demand or investment deposits except in a  
29 qualified public depository located in this state or as otherwise

1 expressly permitted by statute: PROVIDED, That the commission, upon  
2 good cause shown, may authorize a treasurer to maintain a demand  
3 deposit account with a banking institution located outside the state of  
4 Washington solely for the purpose of transmitting money received to  
5 financial institutions in the state of Washington for deposit for such  
6 time and upon such terms and conditions as the commission deems  
7 appropriate."

8 "Sec. 28. RCW 4.28.080 and 1987 c 361 s 1 are each amended to read  
9 as follows:

10 The summons shall be served by delivering a copy thereof, as  
11 follows:

12 (1) If the action be against any county in this state, to the  
13 county auditor or, during normal office hours, to the deputy auditor,  
14 or in the case of a charter county, summons may be served upon the  
15 agent, if any, designated by the legislative authority.

16 (2) If against any town or incorporated city in the state, to the  
17 mayor, city manager, or, during normal office hours, to the mayor's or  
18 city manager's designated agent or the city clerk thereof.

19 (3) If against a school or fire district, to the superintendent or  
20 commissioner thereof or by leaving the same in his or her office with  
21 an assistant superintendent, deputy commissioner, or business manager  
22 during normal business hours.

23 (4) If against a railroad corporation, to any station, freight,  
24 ticket or other agent thereof within this state.

25 (5) If against a corporation owning or operating sleeping cars, or  
26 hotel cars, to any person having charge of any of its cars or any agent  
27 found within the state.

28 (6) If against a domestic insurance company, to any agent  
29 authorized by such company to solicit insurance within this state.

1 (7) If against a foreign or alien insurance company, as provided in  
2 chapter 48.05 RCW.

3 (8) If against a company or corporation doing any express business,  
4 to any agent authorized by said company or corporation to receive and  
5 deliver express matters and collect pay therefor within this state.

6 (9) If the suit be against a company or corporation other than  
7 those designated in the preceding subdivisions of this section, to the  
8 president or other head of the company or corporation, the registered  
9 agent, secretary, cashier or managing agent thereof or to the  
10 secretary, stenographer or office assistant of the president or other  
11 head of the company or corporation, registered agent, secretary,  
12 cashier or managing agent.

13 (10) If the suit be against a foreign corporation or nonresident  
14 joint stock company, partnership or association doing business within  
15 this state, to any agent, cashier or secretary thereof.

16 (11) If against a minor under the age of fourteen years, to such  
17 minor personally, and also to his father, mother, guardian, or if there  
18 be none within this state, then to any person having the care or  
19 control of such minor, or with whom he resides, or in whose service he  
20 is employed, if such there be.

21 (12) If against any person for whom a guardian has been appointed  
22 for any cause, then to such guardian.

23 (13) If against a foreign or alien steamship company or steamship  
24 charterer, to any agent authorized by such company or charterer to  
25 solicit cargo or passengers for transportation to or from ports in the  
26 state of Washington.

27 (14) If against a self-insurance program regulated by chapter 48.62  
28 RCW, as provided in chapter 48.62 RCW.

1       (15) In all other cases, to the defendant personally, or by leaving  
2 a copy of the summons at the house of his usual abode with some person  
3 of suitable age and discretion then resident therein.

4       Service made in the modes provided in this section shall be taken  
5 and held to be personal service."

6       "NEW SECTION. Sec. 29.       Sections 1 through 17 of this act shall  
7 be added to chapter 48.62 RCW."

8       "NEW SECTION. Sec. 30.       (1) This act shall take effect January  
9 1, 1992, but the state risk manager shall take all steps necessary to  
10 implement this act on its effective date.

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

16       (3) Local government entity authority to self-insure employee  
17 health and welfare benefits applies retroactively to 1979."

18       "NEW SECTION. Sec. 31.       All rules adopted by the superintendent  
19 of public instruction by the effective date of this act that apply to  
20 self-insurance programs of educational service districts remain in  
21 effect until expressly amended, repealed, or superseded by the state  
22 risk manager or the state health care authority."

23       "NEW SECTION. Sec. 32.       If any provision of this act or its  
24 application to any person or circumstance is held invalid, the  
25 remainder of the act or the application of the provision to other  
26 persons or circumstances is not affected."

