

SENATE BILL REPORT

SSB 5342

AS PASSED SENATE, JANUARY 31, 1992

Brief Description: Authorizing payment by annuity by self-insured employers.

SPONSORS: Senate Committee on Commerce & Labor (originally sponsored by Senators Matson, Anderson, Owen, McCaslin and Oke).

SENATE COMMITTEE ON COMMERCE & LABOR

Majority Report: That Substitute Senate Bill No. 5342 be substituted therefor, and the substitute bill do pass.

Signed by Senators Matson, Chairman; Anderson, Vice Chairman; Bluechel, McCaslin, McDonald, McMullen, Moore, and Skratek.

Staff: Traci Anderson (786-7452)

Hearing Dates: February 18, 1991; March 1, 1991

HOUSE COMMITTEE ON COMMERCE & LABOR

BACKGROUND:

Qualified employers are allowed to self-insure their workers' compensation programs. In the event of death or total permanent disability of a worker, the Department of Labor and Industries determines the amount of money that must be placed in reserve to guarantee payment of future pension benefits.

Under current law, the self-insurer is given a number of methods for guaranteeing the payment of benefits to the appropriate beneficiary. The self-insurer may pay into the state reserve fund the sum of money needed to cover the benefit payments. The Department of Labor and Industries then makes the payments to the beneficiary.

Alternatively, a self-insurer may post a bond or place securities and cash in an escrow account in the amount of the pension benefits. The Department of Labor and Industries makes the payments to the beneficiary and bills the self-insurer on a periodic basis. Under this payment plan, the self-insured employer is also required to pay to the department an amount equal to the first three months of pension payments.

SUMMARY:

Self-insurers are given an additional method for guaranteeing the payment of pension benefits to workers or survivors. Self-insured employers may purchase an annuity in an amount

determined by the Department of Labor and Industries as sufficient to insure the full payment of the pension benefits.

Under this plan, the Department of Labor and Industries makes the payments to the appropriate individual and bills the self-insured company.

The department is authorized to establish rules governing the use of annuities for this purpose, including rules that ensure that adequate funds will be available in the event of the failure of the institution authorized to provide annuities or the self-insurer's business.

The department may require that the amount of the annuity be increased, based on periodic re-determinations made by the department on the outstanding annuity value.

Appropriation: none

Revenue: none

Fiscal Note: available

TESTIMONY FOR:

Allowing self-insured employers to purchase annuities as another method for the payment of pension benefits is a good idea. The bill allows for the development of multiple protections for those cases in which an annuity has been purchased and the self-insurer or the company that sold the annuity goes out of business.

TESTIMONY AGAINST: None

TESTIFIED: Wayne Williams, Washington Self-Insurers Association (pro); Clif Finch, Association of Washington Businesses (pro)

HOUSE AMENDMENT(S):

A self-insured employer may only purchase annuities from an institution that has a specified rating from the standard financial rating companies, has assets of at least \$10 billion, and holds assets of a specified quality.