
SUBSTITUTE HOUSE BILL 1907

State of Washington 52nd Legislature 1991 Regular Session

By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Dellwo, Broback, Zellinsky, Mielke, Anderson, R. Meyers, Winsley, Inslee, Paris, Dorn, Schmidt, Scott and R. Johnson).

Read first time March 5, 1991.

1 AN ACT Relating to the regulation of local government self-
2 insurance; amending RCW 41.04.180, 35.23.460, 35A.41.020, 36.32.400,
3 53.08.170, 54.04.050, 56.08.100, 57.08.100, 43.09.260, and 39.58.080;
4 adding new sections to chapter 48.62 RCW; creating new sections;
5 repealing RCW 48.62.010, 48.62.020, 48.62.030, 48.62.035, 48.62.040,
6 48.62.050, 48.62.060, 48.62.070, 48.62.080, 48.62.090, 48.62.100,
7 48.62.110, and 48.62.120; and providing an effective date.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

9 NEW SECTION. **Sec. 1.** This chapter is intended to provide the
10 exclusive source of local government entity authority to individually
11 or jointly self-insure risks, jointly purchase insurance or
12 reinsurance, and to contract for risk management, claims, and
13 administrative services. This chapter shall be liberally construed to
14 grant local government entities maximum flexibility in self-insuring to
15 the extent the self-insurance programs are operated in a safe and sound

1 manner. This chapter is intended to require prior approval for the
2 establishment of every individual local government self-insured
3 employee health and welfare benefit program and every joint local
4 government self-insurance program. In addition, this chapter is
5 intended to require every local government entity that establishes a
6 self-insurance program not subject to prior approval to notify the
7 state of the existence of the program and to comply with the regulatory
8 and statutory standards governing the management and operation of the
9 programs as provided in this chapter. This chapter is not intended to
10 authorize or regulate self-insurance of unemployment compensation under
11 chapter 50.44 RCW, or industrial insurance under chapter 51.14 RCW.

12 NEW SECTION. **Sec. 2.** Unless the context clearly requires
13 otherwise, the definitions in this section apply throughout this
14 chapter.

15 (1) "Local government entity" or "entity" means every unit of local
16 government, both general purpose and special purpose, and includes, but
17 is not limited to, counties, cities, towns, port districts, public
18 utility districts, water districts, sewer districts, school districts,
19 fire protection districts, irrigation districts, metropolitan municipal
20 corporations, conservation districts, and other political subdivisions,
21 governmental subdivisions, municipal corporations, and quasi-municipal
22 corporations.

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

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

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

7 (5) "Property and liability risks" includes the risk of property
8 damage or loss sustained by a local government entity and the risk of
9 claims arising from the tortious or negligent conduct or any error or
10 omission of the local government entity, its officers, employees,
11 agents, or volunteers as a result of which a claim may be made against
12 the local government entity.

13 (6) "State risk manager" means the state risk manager of the
14 division of risk management within the department of general
15 administration.

16 NEW SECTION. **Sec. 3.** (1) The governing body of a local
17 government entity may individually self-insure, may join or form a
18 self-insurance program together with other entities, and may jointly
19 purchase insurance or reinsurance with other entities for liability and
20 property and liability risks, and health and welfare benefits only as
21 permitted under this chapter. In addition, the entity or entities may
22 contract for or hire personnel to provide risk management, claims, and
23 administrative services in accordance with this chapter.

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

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

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

4 (a) Contract or otherwise provide for risk management and loss
5 control services;

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

8 (c) Consult with the state insurance commissioner and the state
9 risk manager;

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

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

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

18 NEW SECTION. **Sec. 4.** (1) The property and liability advisory
19 board is created, consisting of the insurance commissioner and the
20 state risk manager, or their designees, as ex officio members and five
21 members appointed by the governor on the basis of their experience and
22 knowledge in matters pertaining to local government risk management,
23 self-insurance, and management of joint self-insurance programs. The
24 board shall include at least two representatives from individual
25 property or liability self-insurance programs and at least two
26 representatives from joint property or liability self-insurance
27 programs.

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

1 (a) Adopting rules governing the operation and management of both
2 individual and joint self-insurance programs covering liability and
3 property risks;

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

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

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

12 (3) The board shall annually elect a chairman and a vice-chairman
13 from its members.

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

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

17 NEW SECTION. **Sec. 5.** (1) The health and welfare advisory
18 board is created consisting of the insurance commissioner and the state
19 risk manager, or their designees, as ex officio members and six members
20 appointed by the governor on the basis of their experience and
21 knowledge pertaining to local government self-insured health and
22 welfare benefits programs. The board shall include one city management
23 representative as recommended by the association of Washington cities;
24 one county management representative as recommended by the Washington
25 state association of counties; two management representatives from
26 local government self-insured health and welfare programs; and two
27 representatives of state-wide employee organizations representing local
28 government employees.

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

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

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

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

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

10 (3) The board shall annually elect a chairman and a vice-chairman
11 from its members.

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

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

15 NEW SECTION. **Sec. 6.** The state risk manager, in consultation
16 with the property and liability advisory board, shall adopt rules
17 governing the management and operation of both individual and joint
18 local government self-insurance programs covering property or liability
19 risks. The state risk manager shall also adopt rules governing the
20 management and operation of both individual and joint local government
21 self-insured health and welfare benefits programs in consultation with
22 the health and welfare benefits advisory board. All rules shall be
23 appropriate for the type of program and class of risk covered. The
24 state risk manager's rules shall include:

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

28 (2) Standards for claims management procedures; and

1 (3) Standards for contracts between self-insurance programs and
2 private businesses including standards for contracts between third-
3 party administrators and programs.

4 NEW SECTION. **Sec. 7.** Before the establishment of a joint
5 self-insurance program covering property or liability risks by local
6 government entities, or an individual or joint local government self-
7 insured health and welfare benefits program, the entity or entities
8 must obtain the approval of the state risk manager. Risk manager
9 approval is not required for the establishment of an individual local
10 government self-insurance program covering property or liability risks.
11 The entity or entities proposing creation of a self-insurance program
12 requiring prior approval shall submit a plan of management and
13 operation to the state risk manager and the state auditor that provides
14 at least the following information:

15 (1) The risk or risks to be covered, including any coverage
16 definitions, terms, conditions, and limitations or in the case of
17 health and welfare benefits programs, the benefits to be provided,
18 including any benefit definitions, terms, conditions, and limitations;

19 (2) The amount and method of financing the benefits or covered
20 risks, including the initial capital and proposed rates and projected
21 premiums;

22 (3) The proposed claim reserving practices;

23 (4) The proposed purchase and maintenance of insurance or
24 reinsurance in excess of the amounts retained by the self-insurance
25 program;

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

1 (6) In the case of a joint program the agreements with members of
2 the program defining the responsibilities and benefits of each member
3 and management;

4 (7) The proposed accounting, depositing, and investment practices
5 of the program;

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

8 (9) A designation of the individual upon whom service of process
9 shall be executed on behalf of the program;

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

12 (11) A professional analysis of the feasibility of creation and
13 maintenance of the program; and

14 (12) Any other information required by rule of the state risk
15 manager that is necessary to determine the probable financial and
16 management success of the program or that is necessary to determine
17 compliance with this chapter.

18 NEW SECTION. **Sec. 8.** A local government entity may
19 participate in a joint self-insurance program covering property or
20 liability risks with similar local government entities from other
21 states if the program satisfies the following requirements:

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

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

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

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

8 (5) The financial statements of the program shall be audited
9 annually by the certified public accountants for the program, and such
10 audited financial statements shall be delivered to the Washington state
11 auditor and the state risk manager not more than one hundred twenty
12 days after the end of each fiscal year of the program;

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

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

23 (8) The participating entities may have no contingent liabilities,
24 other than liabilities for unpaid premiums, retrospective premiums, or
25 assessments, if assets of the program are insufficient to cover the
26 program's liabilities; and

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

1 (c) A description of the program structure, including participants'
2 retention, program retention, and excess insurance limits and
3 attachment point;

4 (d) An actuarial analysis, if required;

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

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

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

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

20 NEW SECTION. **Sec. 10.** (1) All self-insurance programs governed
21 by this chapter may provide for executive sessions in accordance with
22 chapter 42.30 RCW to consider litigation and settlement of claims when
23 it appears that public discussion of these matters would impair the
24 program's ability to conduct its business effectively.

25 (2) Notwithstanding any provision to the contrary contained in the
26 public disclosure act, chapter 42.17 RCW, in a claim or action against
27 the state or a local government entity, no person is entitled to
28 discover that portion of any funds or liability reserve established for
29 purposes of satisfying a claim or cause of action, except that the

1 reserve is discoverable in a supplemental or ancillary proceeding to
2 enforce a judgment. All other records of individual or joint self-
3 insurance programs are subject to disclosure in accordance with chapter
4 42.17 RCW.

5 (3) In accordance with chapter 42.17 RCW, bargaining groups
6 representing local government employees shall have reasonable access
7 to information concerning the experience and performance of any health
8 and welfare benefits program established for the benefit of such
9 employees.

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

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

19 (3) Local government members of a joint self-insurance program may
20 by resolution of the program designate some other person having
21 experience in financial or fiscal matters as treasurer of the program,
22 if that designated treasurer is located in Washington state. The
23 program shall, unless the program's treasurer is a county treasurer,
24 require a bond obtained from a surety company authorized to do business
25 in Washington in an amount and under the terms and conditions that the
26 program finds will protect against loss arising from mismanagement or
27 malfeasance in investing and managing program funds. The program may
28 pay the premium on the bond.

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

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

15 (5) All interest and earnings collected on joint program funds
16 belong to the program and must be deposited to the program's credit in
17 the proper program account.

18 (6) A joint program may require a reasonable bond from any person
19 handling money or securities of the program and may pay the premium for
20 the bond.

21 NEW SECTION. **Sec. 12.** (1) No employee or official of a local
22 government entity may directly or indirectly receive anything of value
23 for services rendered in connection with the operation and management
24 of a self-insurance program other than the salary and benefits provided
25 by his or her employer or the reimbursement of expenses reasonably
26 incurred in furtherance of the operation or management of the program.
27 No employee or official of a local government entity may accept or
28 solicit anything of value for personal benefit or for the benefit of
29 others under circumstances in which it can be reasonably inferred that

1 the employee's or official's independence of judgment is impaired with
2 respect to the management and operation of the program.

3 (2) No local government entity may participate in a joint self-
4 insurance program in which local government entities do not retain
5 complete governing control. This prohibition does not apply to local
6 government contribution to a self-insured employee health and welfare
7 benefits plan otherwise authorized and governed by state statute nor to
8 local government participation in a multistate joint program where
9 control is shared with local government entities from other states.

10 (3) Moneys made available and moneys expended by school districts
11 and educational service districts for self-insurance under this chapter
12 are subject to such rules of the superintendent of public instruction
13 as the superintendent may adopt governing budgeting and accounting.
14 However, the superintendent shall ensure that the rules are consistent
15 with those adopted by the state risk manager for the management and
16 operation of self-insurance programs.

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

19 (5) Every individual and joint local government self-insured health
20 and welfare benefits program that provides comprehensive coverage for
21 health care services shall include mandated benefits that the state
22 health care authority is required to provide under chapter 41.05 RCW,
23 except under RCW 41.05.080 and 41.05.090. The state risk manager may
24 adopt rules identifying the mandated benefits specified in chapter
25 41.05 RCW.

26 NEW SECTION. **Sec. 13.** Every local government entity that has
27 established a self-insurance program not subject to the prior approval
28 requirements of this chapter shall provide written notice to the state
29 auditor of the existence of the program. The notice must identify the

1 manager of the program and the class or classes of risk self-insured.
2 In addition, the local government entity shall notify the state auditor
3 whenever the program covers a new class of risk or discontinues the
4 self-insurance of a class of risk.

5 NEW SECTION. **Sec. 14.** Every joint self-insurance program
6 covering liability or property risks shall provide for the contingent
7 liability of participants in the program if assets of the program are
8 insufficient to cover the program's liabilities, unless coverage in the
9 joint program is expressly limited to the available assets of the
10 program and the limitation is expressly acknowledged or agreed upon by
11 the local government entities.

12 NEW SECTION. **Sec. 15.** A joint self-insurance program approved
13 in accordance with this chapter is exempt from insurance premium taxes,
14 from fees assessed under chapter 48.02 RCW, from chapters 48.32 and
15 48.32A RCW, from business and occupations taxes imposed under chapter
16 82.04 RCW, and from any assigned risk plan or joint underwriting
17 association otherwise required by law.

18 NEW SECTION. **Sec. 16.** (1) The state risk manager shall
19 establish and charge an investigation fee in an amount necessary to
20 cover the costs for the initial review and approval of a self-insurance
21 program. The fee must accompany the initial submission of the plan of
22 operation and management.

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

1 **Sec. 17.** RCW 41.04.180 and 1974 ex.s. c 82 s 1 are each amended to
2 read as follows:

3 Any county, municipality, or other political subdivision of the
4 state acting through its principal supervising official or governing
5 body may, whenever funds shall be available for that purpose provide
6 for all or a part of hospitalization and medical aid for its employees
7 and their dependents through contracts with regularly constituted
8 insurance carriers or with health care service contractors as defined
9 in chapter 48.44 RCW or self-insurers as provided for in chapter
10 ((48.52)) 48.62 RCW, for group hospitalization and medical aid policies
11 or plans: PROVIDED, That any county, municipality, or other political
12 subdivision of the state acting through its principal supervising
13 official or governing body shall provide the employees thereof a choice
14 of policies or plans through contracts with not less than two regularly
15 constituted insurance carriers or health care service contractors or
16 other health care plans, including but not limited to, trusts of self-
17 insurance as provided for in chapter ((48.52)) 48.62 RCW: AND PROVIDED
18 FURTHER, That any county may provide such hospitalization and medical
19 aid to county elected officials and their dependents on the same basis
20 as such hospitalization and medical aid is provided to other county
21 employees and their dependents: PROVIDED FURTHER, That provision for
22 school district personnel shall not be made under this section but
23 shall be as provided for in RCW 28A.400.350.

24 **Sec. 18.** RCW 35.23.460 and 1965 c 7 s 35.23.460 are each amended
25 to read as follows:

26 Subject to chapter 48.62 RCW, any city of the second or third class
27 or town may contract with an insurance company authorized to do
28 business in this state to provide group insurance for its employees
29 including group false arrest insurance for its law enforcement

1 personnel, and pursuant thereto may use a portion of its revenues to
2 pay an employer's portion of the premium for such insurance, and may
3 make deductions from the payrolls of employees for the amount of the
4 employees' contribution and may apply the amount deducted in payment of
5 the employees' portion of the premium.

6 **Sec. 19.** RCW 35A.41.020 and 1983 c 3 s 66 are each amended to read
7 as follows:

8 Except as otherwise provided in this title, the general provisions
9 relating to public employment, including hospitalization and medical
10 aid as provided in chapter 41.04 RCW, and the application of federal
11 social security for public employees, the acceptance of old age and
12 survivors insurance as provided in chapters 41.47 and 41.48 RCW,
13 military leave as provided in RCW 38.40.060, self-insurance as provided
14 in chapter 48.62 RCW, the application of industrial insurance as
15 provided in Title 51 RCW, and chapter 43.101 RCW relating to training
16 of law enforcement officers, shall apply to code cities. Any code city
17 may retain any civil service system theretofore in effect in such city
18 and may adopt any system of civil service which would be available to
19 any class of city under general law.

20 **Sec. 20.** RCW 36.32.400 and 1975-'76 2nd ex.s. c 106 s 7 are each
21 amended to read as follows:

22 Subject to chapter 48.62 RCW, any county by a majority vote of its
23 board of county commissioners may enter into contracts to provide
24 health care services and/or group insurance for the benefit of its
25 employees, and may pay all or any part of the cost thereof. Any two or
26 more counties, by a majority vote of their respective boards of county
27 commissioners may, if deemed expedient, join in the procuring of such
28 health care services and/or group insurance, and the board of county

1 commissioners of each participating county may, by appropriate
2 resolution, authorize their respective counties to pay all or any
3 portion of the cost thereof.

4 Nothing in this section shall impair the eligibility of any
5 employee of a county, municipality, or other political subdivision
6 under RCW 41.04.205.

7 **Sec. 21.** RCW 53.08.170 and 1987 c 50 s 1 are each amended to read
8 as follows:

9 The port commission shall have authority to create and fill
10 positions, to fix wages, salaries and bonds thereof, to pay costs and
11 assessments involved in securing or arranging to secure employees, and
12 to establish such benefits for employees, including holiday pay,
13 vacations or vacation pay, retirement and pension benefits, medical,
14 surgical or hospital care, life, accident, or health disability
15 insurance, and similar benefits, already established by other employers
16 of similar employees, as the port commissioner shall by resolution
17 provide: PROVIDED, That any district providing insurance benefits for
18 its employees in any manner whatsoever may provide health and accident
19 insurance, life insurance with coverage not to exceed that provided
20 district employees, and business related travel, liability, and errors
21 and omissions insurance, for its commissioners, which insurance shall
22 not be considered to be compensation.

23 Subject to chapter 48.62 RCW, the port commission shall have
24 authority to provide or pay such benefits directly, or to provide for
25 such benefits by the purchase of insurance policies or entering into
26 contracts with and compensating any person, firm, agency or
27 organization furnishing such benefits, or by making contributions to
28 vacation plans or funds, or health and welfare plans and funds, or
29 pension plans or funds, or similar plans or funds, already established

1 by other employers of similar employees and in which the port district
2 is permitted to participate for particular classifications of its
3 employees by the trustees or other persons responsible for the
4 administration of such established plans or funds: PROVIDED FURTHER,
5 That no port district employee shall be allowed to apply for admission
6 to or be accepted as a member of the state employees' retirement system
7 after January 1, 1965, if admission to such system would result in
8 coverage under both a private pension system and the state employees'
9 retirement system, it being the purpose of this proviso that port
10 districts shall not at the same time contribute for any employee to
11 both a private pension or retirement plan and to the state employees'
12 retirement system. The port commission shall have authority by
13 resolution to utilize and compensate agents for the purpose of paying,
14 in the name and by the check of such agent or agents or otherwise,
15 wages, salaries and other benefits to employees, or particular
16 classifications thereof, and for the purpose of withholding payroll
17 taxes and paying over tax moneys so withheld to appropriate government
18 agencies, on a combined basis with the wages, salaries, benefits, or
19 taxes of other employers or otherwise; to enter into such contracts and
20 arrangements with and to transfer by warrant such funds from time to
21 time to any such agent or agents so appointed as are necessary to
22 accomplish such salary, wage, benefit, or tax payments as though the
23 port district were a private employer, notwithstanding any other
24 provision of the law to the contrary. The funds of a port district
25 transferred to such an agent or agents for the payment of wages or
26 salaries of its employees in the name or by the check of such agent or
27 agents shall be subject to garnishment with respect to salaries or
28 wages so paid, notwithstanding any provision of the law relating to
29 municipal corporations to the contrary.

1 **Sec. 22.** RCW 54.04.050 and 1984 c 15 s 1 are each amended to read
2 as follows:

3 (1) Subject to chapter 48.62 RCW, any public utility district
4 engaged in the operation of electric or water utilities may enter into
5 contracts of group insurance for the benefit of its employees, and pay
6 all or any part of the premiums for such insurance. Such premiums
7 shall be paid out of the revenues derived from the operation of such
8 properties: PROVIDED, That if the premium is to be paid by the
9 district and employees jointly, and the benefits of the policy are
10 offered to all eligible employees, not less than seventy-five percent
11 of such employees may be so insured.

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

19 **Sec. 23.** RCW 56.08.100 and 1981 c 190 s 5 are each amended to read
20 as follows:

21 Subject to chapter 48.62 RCW, a sewer district, by a majority vote
22 of its board of commissioners, may enter into contracts to provide
23 health care services and/or group insurance and/or term life insurance
24 and/or social security insurance for the benefit of its employees and
25 may pay all or any part of the cost thereof. Any two or more sewer
26 districts or one or more sewer districts and one or more water
27 districts, by a majority vote of their respective boards of
28 commissioners, may, if deemed expedient, join in the procuring of such
29 health care services and/or group insurance and/or term life insurance,

1 and the board of commissioners of each participating sewer and/or water
2 district may by appropriate resolution authorize their respective
3 district to pay all or any portion of the cost thereof.

4 **Sec. 24.** RCW 57.08.100 and 1981 c 190 s 6 are each amended to read
5 as follows:

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

18 **Sec. 25.** 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

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

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

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

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

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

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

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

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

23 **Sec. 26.** RCW 39.58.080 and 1986 c 160 s 1 are each amended to read
24 as follows:

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

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

9 NEW SECTION. **Sec. 27.** Sections 1 through 16 of this act shall
10 be added to chapter 48.62 RCW.

11 NEW SECTION. **Sec. 28.** (1) This act shall take effect January
12 1, 1992, but the state risk manager shall take all steps necessary to
13 implement this act on its effective date.

14 (2) Every individual local government self-insured employee health
15 and welfare plan and joint self-insurance program that has been in
16 continuous operation for at least one year before the effective date of
17 this act need not obtain approval to continue operations until January
18 1, 1993, but must comply with all other provisions of this chapter.

19 (3) Local government authority to self-insure employee health and
20 welfare benefits applies retroactively to 1979.

21 NEW SECTION. **Sec. 29.** All rules adopted by the superintendent
22 of public instruction by the effective date of this act that apply to
23 self-insurance programs of educational service districts remain in
24 effect until expressly amended, repealed, or superseded by the state
25 risk manager or the state health care authority.

1 NEW SECTION. **Sec. 30.** If any provision of this act or its
2 application to any person or circumstance is held invalid, the
3 remainder of the act or the application of the provision to other
4 persons or circumstances is not affected.

5 NEW SECTION. **Sec. 31.** The following acts or parts of acts are
6 each repealed:

7 (1) RCW 48.62.010 and 1985 c 277 s 1 & 1979 ex.s. c 256 s 1;

8 (2) RCW 48.62.020 and 1979 ex.s. c 256 s 2;

9 (3) RCW 48.62.030 and 1985 c 277 s 2, 1983 c 59 s 17, & 1979 ex.s.
10 c 256 s 3;

11 (4) RCW 48.62.035 and 1985 c 277 s 3;

12 (5) RCW 48.62.040 and 1986 c 302 s 1, 1985 c 278 s 1, & 1979 ex.s.
13 c 256 s 4;

14 (6) RCW 48.62.050 and 1989 c 175 s 114 & 1979 ex.s. c 256 s 5;

15 (7) RCW 48.62.060 and 1979 ex.s. c 256 s 6;

16 (8) RCW 48.62.070 and 1988 c 281 s 4, 1985 c 277 s 4, & 1979 ex.s.
17 c 256 s 7;

18 (9) RCW 48.62.080 and 1985 c 277 s 5 & 1979 ex.s. c 256 s 8;

19 (10) RCW 48.62.090 and 1979 ex.s. c 256 s 9;

20 (11) RCW 48.62.100 and 1985 c 277 s 6 & 1979 ex.s. c 256 s 10;

21 (12) RCW 48.62.110 and 1985 c 277 s 7 & 1979 ex.s. c 256 s 11; and

22 (13) RCW 48.62.120 and 1979 ex.s. c 256 s 12.