

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE HOUSE BILL 1907

Chapter 30, Laws of 1991

52nd Legislature
1991 Special Session

LOCAL GOVERNMENT SELF-INSURANCE AUTHORITY

EFFECTIVE DATE: 1/1/92

Passed by the House June 28, 1991
Yeas 80 Nays 13

JOE KING
**Speaker of the
House of Representatives**

Passed by the Senate June 28, 1991
Yeas 45 Nays 0

JOEL PRITCHARD
President of the Senate

Approved July 11, 1991

BOOTH GARDNER
Governor of the State of Washington

CERTIFICATE

I, Alan Thompson, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL 1907** as passed by the House of Representatives and the Senate on the dates hereon set forth.

ALAN THOMPSON
Chief Clerk

FILED

July 11, 1991 - 10:15 a.m.

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE HOUSE BILL 1907

AS AMENDED BY THE SENATE

Passed Legislature - 1991 1st Special Session

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, 39.58.080, and
4 4.28.080; adding new sections to chapter 48.62 RCW; creating new
5 sections; repealing RCW 48.62.010, 48.62.020, 48.62.030, 48.62.035,
6 48.62.040, 48.62.050, 48.62.060, 48.62.070, 48.62.080, 48.62.090,
7 48.62.100, 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 property and
20 liability risks, and health and welfare benefits only as permitted
21 under this chapter. In addition, the entity or entities may contract
22 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 (6) Every joint self-insurance program governed by this chapter
19 shall appoint the risk manager as its attorney to receive service of,
20 and upon whom shall be served, all legal process issued against it in
21 this state upon causes of action arising in this state.

22 (a) Service upon the risk manager as attorney shall constitute
23 service upon the program. Service upon joint insurance programs
24 subject to this act can be had only by service upon the risk manager.
25 At the time of service, the plaintiff shall pay to the risk manager a
26 fee to be set by the risk manager, taxable as costs in the action.

27 (b) With the initial filing for approval with the risk manager,
28 each joint self-insurance program shall designate by name and address
29 the person to whom the risk manager shall forward legal process so

1 served upon him or her. The joint self-insurance program may change
2 such person by filing a new designation.

3 (c) The appointment of the risk manager as attorney shall be
4 irrevocable, shall bind any successor in interest or to the assets or
5 liabilities of the joint self-insurance program, and shall remain in
6 effect as long as there is in force in this state any contract made by
7 the joint self-insurance program or liabilities or duties arising
8 therefrom.

9 (d) The risk manager shall keep a record of the day and hour of
10 service upon him or her of all legal process. A copy of the process,
11 by registered mail with return receipt requested, shall be sent by the
12 risk manager, to the person designated for the purpose by the joint
13 self-insurance program in its most recent such designation filed with
14 the risk manager. No proceedings shall be had against the joint self-
15 insurance program, and the program shall not be required to appear,
16 plead, or answer, until the expiration of forty days after the date of
17 service upon the risk manager.

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 chair and a vice-chair from
13 its members. The board shall meet at least quarterly at such times as
14 the state risk manager may fix. The board members who are appointed
15 shall serve without compensation from the state but shall suffer no
16 loss because of absence from their regular employment. Members of the
17 board who are not public employees shall be compensated in accordance
18 with RCW 43.03.240.

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

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

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

1 programs; and two representatives of state-wide employee organizations
2 representing local government employees.

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

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

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

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

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

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

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

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

23 NEW SECTION. **Sec. 6.** The state risk manager, in consultation
24 with the property and liability advisory board, shall adopt rules
25 governing the management and operation of both individual and joint
26 local government self-insurance programs covering property or liability
27 risks. The state risk manager shall also adopt rules governing the
28 management and operation of both individual and joint local government
29 self-insured health and welfare benefits programs in consultation with

1 the health and welfare benefits advisory board. All rules shall be
2 appropriate for the type of program and class of risk covered. The
3 state risk manager's rules shall include:

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

7 (2) Standards for claims management procedures; and

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

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

22 (1) The risk or risks to be covered, including any coverage
23 definitions, terms, conditions, and limitations or in the case of
24 health and welfare benefits programs, the benefits to be provided,
25 including any benefit definitions, terms, conditions, and limitations;

26 (2) The amount and method of financing the benefits or covered
27 risks, including the initial capital and proposed rates and projected
28 premiums;

29 (3) The proposed claim reserving practices;

1 (4) The proposed purchase and maintenance of insurance or
2 reinsurance in excess of the amounts retained by the self-insurance
3 program;

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

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

9 (7) The proposed accounting, depositing, and investment practices
10 of the program;

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

13 (9) A designation of the individual upon whom service of process
14 shall be executed on behalf of the program. In the case of a joint
15 program, a designation of the individual to whom service of process
16 shall be forwarded by the risk manager on behalf of the program;

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

19 (11) A professional analysis of the feasibility of creation and
20 maintenance of the program; and

21 (12) Any other information required by rule of the state risk
22 manager that is necessary to determine the probable financial and
23 management success of the program or that is necessary to determine
24 compliance with this chapter.

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

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

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

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

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

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

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

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

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

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

9 NEW SECTION. **Sec. 9.** (1) Within one hundred twenty days of
10 receipt of a plan of management and operation, the state risk manager
11 shall either approve or disapprove the formation of the self-insurance
12 program after reviewing the plan to determine whether the proposed
13 program complies with this chapter and all rules adopted in accordance
14 with this chapter.

15 (2) If the state risk manager denies a request for approval, the
16 state risk manager shall specify in detail the reasons for denial and
17 the manner in which the program fails to meet the requirements of this
18 chapter or any rules adopted in accordance with this chapter.

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

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

28 (b) If the program violates the order or has not taken steps to
29 comply with the order after the expiration of twenty days after the

1 cease and desist order has been received by the program, the program is
2 deemed to be operating in violation of this chapter, and the state risk
3 manager shall notify the state auditor and the attorney general of the
4 violation.

5 (c) After hearing or with the consent of a program governed by this
6 chapter and in addition to or in lieu of a continuation of the cease
7 and desist order, the risk manager may levy a fine upon the program in
8 an amount not less than three hundred dollars and not more than ten
9 thousand dollars. The order levying such fine shall specify the period
10 within which the fine shall be fully paid. The period within which
11 such fines shall be paid shall not be less than fifteen nor more than
12 thirty days from the date of such order. Upon failure to pay any such
13 fine when due the risk manager shall request the attorney general to
14 bring a civil action on the risk manager's behalf to collect the fine.
15 The risk manager shall pay any fine so collected to the state treasurer
16 for the account of the general fund.

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

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

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

23 (c) A description of the program structure, including participants'
24 retention, program retention, and excess insurance limits and
25 attachment point;

26 (d) An actuarial analysis, if required;

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

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

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

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

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

17 (2) Notwithstanding any provision to the contrary contained in the
18 public disclosure act, chapter 42.17 RCW, in a claim or action against
19 the state or a local government entity, no person is entitled to
20 discover that portion of any funds or liability reserve established for
21 purposes of satisfying a claim or cause of action, except that the
22 reserve is discoverable in a supplemental or ancillary proceeding to
23 enforce a judgment. All other records of individual or joint self-
24 insurance programs are subject to disclosure in accordance with chapter
25 42.17 RCW.

26 (3) In accordance with chapter 42.17 RCW, bargaining groups
27 representing local government employees shall have reasonable access
28 to information concerning the experience and performance of any health

1 and welfare benefits program established for the benefit of such
2 employees.

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

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

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

22 All program funds must be paid to the treasurer and shall be
23 disbursed by the treasurer only on warrants issued by the treasurer or
24 a person appointed by the program and upon orders or vouchers approved
25 by the program or as authorized under chapters 35A.40 and 42.24 RCW.
26 The treasurer shall establish a program account, into which shall be
27 recorded all program funds, and the treasurer shall maintain such
28 special accounts as may be created by the program into which the

1 treasurer shall record all money as the program may direct by
2 resolution.

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

8 (5) A joint self-insurance program may invest all or a portion of
9 its assets by depositing the assets with the state investment board, to
10 be invested by the state investment board in accordance with chapter
11 43.33A RCW. The state investment board shall designate a manager for
12 those funds to whom the program may direct requests for disbursement
13 upon orders or vouchers approved by the program or as authorized under
14 chapters 35A.40 and 42.24 RCW.

15 (6) 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 (7) 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 (8) Subsections (3) and (4) of this section do not apply to a
22 multistate joint self-insurance program governed by section 8 of this
23 act.

24 NEW SECTION. **Sec. 12.** (1) No employee or official of a local
25 government entity may directly or indirectly receive anything of value
26 for services rendered in connection with the operation and management
27 of a self-insurance program other than the salary and benefits provided
28 by his or her employer or the reimbursement of expenses reasonably
29 incurred in furtherance of the operation or management of the program.

1 No employee or official of a local government entity may accept or
2 solicit anything of value for personal benefit or for the benefit of
3 others under circumstances in which it can be reasonably inferred that
4 the employee's or official's independence of judgment is impaired with
5 respect to the management and operation of the program.

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

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

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

22 (5) Every individual and joint local government self-insured health
23 and welfare benefits program that provides comprehensive coverage for
24 health care services shall include mandated benefits that the state
25 health care authority is required to provide under RCW 41.05.170 and
26 41.05.180. The state risk manager may adopt rules identifying the
27 mandated benefits.

28 NEW SECTION. **Sec. 13.** Every local government entity that has
29 established a self-insurance program not subject to the prior approval

1 requirements of this chapter shall provide written notice to the state
2 auditor of the existence of the program. The notice must identify the
3 manager of the program and the class or classes of risk self-insured.
4 The notice must also identify all investments and distribution of
5 assets of the program, the current depository of assets and the
6 program's designation of asset depository and investment agent as
7 required by section 11 of this act. In addition, the local government
8 entity shall notify the state auditor whenever the program covers a new
9 class of risk or discontinues the self-insurance of a class of risk.

10 NEW SECTION. **Sec. 14.** Every joint self-insurance program
11 covering liability or property risks, excluding multistate programs
12 governed by section 8 of this act, shall provide for the contingent
13 liability of participants in the program if assets of the program are
14 insufficient to cover the program's liabilities.

15 NEW SECTION. **Sec. 15.** A joint self-insurance program approved
16 in accordance with this chapter is exempt from insurance premium taxes,
17 from fees assessed under chapter 48.02 RCW, from chapters 48.32 and
18 48.32A RCW, from business and occupations taxes imposed under chapter
19 82.04 RCW, and from any assigned risk plan or joint underwriting
20 association otherwise required by law. This section does not apply to
21 and no exemption is provided for insurance companies issuing policies
22 to cover program risks, nor does it apply to or provide an exemption
23 for third-party administrators or brokers serving the self-insurance
24 program.

25 NEW SECTION. **Sec. 16.** (1) The state risk manager shall
26 establish and charge an investigation fee in an amount necessary to
27 cover the costs for the initial review and approval of a self-insurance

1 program. The fee must accompany the initial submission of the plan of
2 operation and management.

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

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

15 NEW SECTION. **Sec. 17.** (1) Any person who files reports or
16 furnishes other information required under Title 48 RCW, required by
17 the risk manager or the state auditor under authority granted by Title
18 48 RCW, or which is useful to the risk manager or the state auditor in
19 the administration of Title 48 RCW, shall be immune from liability in
20 any civil action or suit arising from the filing of any such report or
21 furnishing such information to the risk manager or to the state
22 auditor, unless actual malice, fraud, or bad faith is shown.

23 (2) The risk manager and the state auditor, and the agents and
24 employees of each, are immune from liability in any civil action or
25 suit arising from the publication of any report or bulletins or arising
26 from dissemination of information related to the official activities of
27 the risk manager, the advisory boards, or the state auditor, unless
28 actual malice, fraud, or bad faith is shown.

1 (3) The immunity granted by this section is in addition to any
2 common law or statutory privilege or immunity enjoyed by such person,
3 and nothing in this section is intended to abrogate or modify in any
4 way such common law or statutory privilege or immunity.

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

7 Any county, municipality, or other political subdivision of the
8 state acting through its principal supervising official or governing
9 body may, whenever funds shall be available for that purpose provide
10 for all or a part of hospitalization and medical aid for its employees
11 and their dependents through contracts with regularly constituted
12 insurance carriers or with health care service contractors as defined
13 in chapter 48.44 RCW or self-insurers as provided for in chapter
14 ((48-52)) 48.62 RCW, for group hospitalization and medical aid policies
15 or plans: PROVIDED, That any county, municipality, or other political
16 subdivision of the state acting through its principal supervising
17 official or governing body shall provide the employees thereof a choice
18 of policies or plans through contracts with not less than two regularly
19 constituted insurance carriers or health care service contractors or
20 other health care plans, including but not limited to, trusts of self-
21 insurance as provided for in chapter ((48-52)) 48.62 RCW: AND PROVIDED
22 FURTHER, That any county may provide such hospitalization and medical
23 aid to county elected officials and their dependents on the same basis
24 as such hospitalization and medical aid is provided to other county
25 employees and their dependents: PROVIDED FURTHER, That provision for
26 school district personnel shall not be made under this section but
27 shall be as provided for in RCW 28A.400.350.

1 **Sec. 19.** RCW 35.23.460 and 1965 c 7 s 35.23.460 are each amended
2 to read as follows:

3 Subject to chapter 48.62 RCW, any city of the second or third class
4 or town may contract with an insurance company authorized to do
5 business in this state to provide group insurance for its employees
6 including group false arrest insurance for its law enforcement
7 personnel, and pursuant thereto may use a portion of its revenues to
8 pay an employer's portion of the premium for such insurance, and may
9 make deductions from the payrolls of employees for the amount of the
10 employees' contribution and may apply the amount deducted in payment of
11 the employees' portion of the premium.

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

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

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

1 Subject to chapter 48.62 RCW, any county by a majority vote of its
2 board of county commissioners may enter into contracts to provide
3 health care services and/or group insurance for the benefit of its
4 employees, and may pay all or any part of the cost thereof. Any two or
5 more counties, by a majority vote of their respective boards of county
6 commissioners may, if deemed expedient, join in the procuring of such
7 health care services and/or group insurance, and the board of county
8 commissioners of each participating county may, by appropriate
9 resolution, authorize their respective counties to pay all or any
10 portion of the cost thereof.

11 Nothing in this section shall impair the eligibility of any
12 employee of a county, municipality, or other political subdivision
13 under RCW 41.04.205.

14 **Sec. 22.** RCW 53.08.170 and 1987 c 50 s 1 are each amended to read
15 as follows:

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

1 Subject to chapter 48.62 RCW, the port commission shall have
2 authority to provide or pay such benefits directly, or to provide for
3 such benefits by the purchase of insurance policies or entering into
4 contracts with and compensating any person, firm, agency or
5 organization furnishing such benefits, or by making contributions to
6 vacation plans or funds, or health and welfare plans and funds, or
7 pension plans or funds, or similar plans or funds, already established
8 by other employers of similar employees and in which the port district
9 is permitted to participate for particular classifications of its
10 employees by the trustees or other persons responsible for the
11 administration of such established plans or funds: PROVIDED FURTHER,
12 That no port district employee shall be allowed to apply for admission
13 to or be accepted as a member of the state employees' retirement system
14 after January 1, 1965, if admission to such system would result in
15 coverage under both a private pension system and the state employees'
16 retirement system, it being the purpose of this proviso that port
17 districts shall not at the same time contribute for any employee to
18 both a private pension or retirement plan and to the state employees'
19 retirement system. The port commission shall have authority by
20 resolution to utilize and compensate agents for the purpose of paying,
21 in the name and by the check of such agent or agents or otherwise,
22 wages, salaries and other benefits to employees, or particular
23 classifications thereof, and for the purpose of withholding payroll
24 taxes and paying over tax moneys so withheld to appropriate government
25 agencies, on a combined basis with the wages, salaries, benefits, or
26 taxes of other employers or otherwise; to enter into such contracts and
27 arrangements with and to transfer by warrant such funds from time to
28 time to any such agent or agents so appointed as are necessary to
29 accomplish such salary, wage, benefit, or tax payments as though the
30 port district were a private employer, notwithstanding any other

1 provision of the law to the contrary. The funds of a port district
2 transferred to such an agent or agents for the payment of wages or
3 salaries of its employees in the name or by the check of such agent or
4 agents shall be subject to garnishment with respect to salaries or
5 wages so paid, notwithstanding any provision of the law relating to
6 municipal corporations to the contrary.

7 **Sec. 23.** RCW 54.04.050 and 1984 c 15 s 1 are each amended to read
8 as follows:

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

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

25 **Sec. 24.** RCW 56.08.100 and 1991 c 82 s 1 are each amended to read
26 as follows:

27 Subject to chapter 48.62 RCW, a sewer district, by a majority vote
28 of its board of commissioners, may enter into contracts to provide

1 health care services and/or group insurance and/or term life insurance
2 and/or social security insurance for the benefit of its employees and
3 may pay all or any part of the cost thereof. Any two or more sewer
4 districts or one or more sewer districts and one or more water
5 districts, by a majority vote of their respective boards of
6 commissioners, may, if deemed expedient, join in the procuring of such
7 health care services and/or group insurance and/or term life insurance,
8 and the board of commissioners of each participating sewer and/or water
9 district may by appropriate resolution authorize their respective
10 district to pay all or any portion of the cost thereof.

11 A sewer district with five thousand or more customers providing
12 health, group, or life insurance to its employees may provide its
13 commissioners with the same coverage: PROVIDED, That the per person
14 amounts for such insurance paid by the district shall not exceed the
15 per person amounts paid by the district for its employees.

16 **Sec. 25.** RCW 57.08.100 and 1991 c 82 s 5 are each amended to read
17 as follows:

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

1 A water district with five thousand or more customers providing
2 health, group, or life insurance to its employees may provide its
3 commissioners with the same coverage: PROVIDED, That the per person
4 amounts for such insurance paid by the district shall not exceed the
5 per person amounts paid by the district for its employees.

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

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

12 The examination of the financial affairs of all taxing districts
13 shall be made at such reasonable, periodic intervals as the state
14 auditor shall determine. However, an examination of the financial
15 affairs of all taxing districts shall be made at least once in every
16 three years, and an examination of individual local government health
17 and welfare benefit plans and local government self-insurance programs
18 shall be made at least once every two years. The term "taxing
19 districts" for purposes of RCW 43.09.190 through 43.09.285 includes but
20 is not limited to all counties, cities, and other political
21 subdivisions, municipal corporations, and quasi-municipal corporations,
22 however denominated.

23 The state auditor shall establish a schedule to govern the auditing
24 of taxing districts which shall include: A designation of the various
25 classifications of taxing districts; a designation of the frequency for
26 auditing each type of taxing district; and a description of events
27 which cause a more frequent audit to be conducted.

28 On every such examination, inquiry shall be made as to the
29 financial condition and resources of the taxing district; whether the

1 Constitution and laws of the state, the ordinances and orders of the
2 taxing district, and the requirements of the division of municipal
3 corporations have been properly complied with; and into the methods and
4 accuracy of the accounts and reports.

5 The state auditor, his or her deputies, every state examiner and
6 every person legally appointed to perform such service, may issue
7 subpoenas and compulsory process and direct the service thereof by any
8 constable or sheriff, compel the attendance of witnesses and the
9 production of books and papers before him or her at any designated time
10 and place, and may administer oaths.

11 When any person summoned to appear and give testimony neglects or
12 refuses so to do, or neglects or refuses to answer any question that
13 may be put to him or her touching any matter under examination, or to
14 produce any books or papers required, the person making such
15 examination shall apply to a superior court judge of the proper county
16 to issue a subpoena for the appearance of such person before him or
17 her; and the judge shall order the issuance of a subpoena for the
18 appearance of such person forthwith before him to give testimony; and
19 if any person so summoned fails to appear, or appearing, refuses to
20 testify, or to produce any books or papers required, he or she shall be
21 subject to like proceedings and penalties for contempt as witnesses in
22 the superior court. Willful false swearing in any such examination
23 shall be perjury and punishable as such.

24 A report of such examination shall be made in triplicate, one copy
25 to be filed in the office of the state auditor, one in the auditing
26 department of the taxing district reported upon, and one in the office
27 of the attorney general. If any such report discloses malfeasance,
28 misfeasance, or nonfeasance in office on the part of any public officer
29 or employee, within thirty days from the receipt of his copy of the
30 report, the attorney general shall institute, in the proper county,

1 such legal action as is proper in the premises by civil process and
2 prosecute the same to final determination to carry into effect the
3 findings of the examination.

4 It shall be unlawful for the county commissioners or any board or
5 officer to make a settlement or compromise of any claim arising out of
6 such malfeasance, misfeasance, or nonfeasance, or any action commenced
7 therefor, or for any court to enter upon any compromise or settlement
8 of such action, without the written approval and consent of the
9 attorney general and the state auditor.

10 **Sec. 27.** RCW 39.58.080 and 1986 c 160 s 1 are each amended to read
11 as follows:

12 Except for funds deposited pursuant to a fiscal agency contract
13 with the state fiscal agent or its correspondent bank, and funds
14 deposited pursuant to a local government multistate joint self-
15 insurance program as provided in section 8 of this act, no public funds
16 shall be deposited in demand or investment deposits except in a
17 qualified public depository located in this state or as otherwise
18 expressly permitted by statute: PROVIDED, That the commission, upon
19 good cause shown, may authorize a treasurer to maintain a demand
20 deposit account with a banking institution located outside the state of
21 Washington solely for the purpose of transmitting money received to
22 financial institutions in the state of Washington for deposit for such
23 time and upon such terms and conditions as the commission deems
24 appropriate.

25 **Sec. 28.** RCW 4.28.080 and 1987 c 361 s 1 are each amended to read
26 as follows:

27 The summons shall be served by delivering a copy thereof, as
28 follows:

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

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

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

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

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

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

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

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

24 (9) If the suit be against a company or corporation other than
25 those designated in the preceding subdivisions of this section, to the
26 president or other head of the company or corporation, the registered
27 agent, secretary, cashier or managing agent thereof or to the
28 secretary, stenographer or office assistant of the president or other
29 head of the company or corporation, registered agent, secretary,
30 cashier or managing agent.

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

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

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

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

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

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

20 Service made in the modes provided in this section shall be taken
21 and held to be personal service.

22 NEW SECTION. Sec. 29. Sections 1 through 17 of this act shall
23 be added to chapter 48.62 RCW.

24 NEW SECTION. Sec. 30. (1) This act shall take effect January
25 1, 1992, but the state risk manager shall take all steps necessary to
26 implement this act on its effective date.

27 (2) Every individual local government self-insured employee health
28 and welfare plan and self-insurance program that has been in continuous

1 operation for at least one year before the effective date of this act
2 need not obtain approval to continue operations until January 1, 1993,
3 but must comply with all other provisions of this act.

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

6 NEW SECTION. **Sec. 31.** All rules adopted by the superintendent
7 of public instruction by the effective date of this act that apply to
8 self-insurance programs of educational service districts remain in
9 effect until expressly amended, repealed, or superseded by the state
10 risk manager or the state health care authority.

11 NEW SECTION. **Sec. 32.** If any provision of this act or its
12 application to any person or circumstance is held invalid, the
13 remainder of the act or the application of the provision to other
14 persons or circumstances is not affected.

15 NEW SECTION. **Sec. 33.** The following acts or parts of acts are
16 each repealed:

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

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

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

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

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

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

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

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

- 1 (9) RCW 48.62.080 and 1985 c 277 s 5 & 1979 ex.s. c 256 s 8;
- 2 (10) RCW 48.62.090 and 1979 ex.s. c 256 s 9;
- 3 (11) RCW 48.62.100 and 1985 c 277 s 6 & 1979 ex.s. c 256 s 10;
- 4 (12) RCW 48.62.110 and 1985 c 277 s 7 & 1979 ex.s. c 256 s 11; and
- 5 (13) RCW 48.62.120 and 1979 ex.s. c 256 s 12.

Passed the House June 28, 1991.

Passed the Senate June 28, 1991.

Approved by the Governor July 11, 1991.

Filed in Office of Secretary of State July 11, 1991.