

2 2SHB 1938 - S COMM AMD

3 By Committee on Labor, Commerce & Trade

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5 Strike everything after the enacting clause and insert the  
6 following:

7 "Sec. 1. RCW 51.14.020 and 1995 c 31 s 1 are each amended to read  
8 as follows:

9 (1) An employer may qualify as a self-insurer by establishing to  
10 the director's satisfaction that he or she has sufficient financial  
11 ability to make certain the prompt payment of all compensation under  
12 this title and all assessments which may become due from such employer.  
13 Each application for certification as a self-insurer submitted by an  
14 employer shall be accompanied by payment of a fee of one hundred fifty  
15 dollars or such larger sum as the director shall find necessary for the  
16 administrative costs of evaluation of the applicant's qualifications.  
17 Any employer who has formerly been certified as a self-insurer and  
18 thereafter ceases to be so certified may not apply for certification  
19 within three years of ceasing to have been so certified.

20 (2)(a) A self-insurer may be required by the director to supplement  
21 existing financial ability by depositing in an escrow account in a  
22 depository designated by the director, money and/or corporate or  
23 governmental securities approved by the director, or a surety bond  
24 written by any company admitted to transact surety business in this  
25 state, or provide an irrevocable letter of credit issued by a federally  
26 or state chartered commercial banking institution authorized to conduct  
27 business in the state of Washington filed with the department. The  
28 money, securities, bond, or letter of credit shall be in an amount  
29 reasonably sufficient in the director's discretion to insure payment of  
30 reasonably foreseeable compensation and assessments but not less than  
31 the employer's normal expected annual claim liabilities and in no event  
32 less than one hundred thousand dollars. In arriving at the amount of  
33 money, securities, bond, or letter of credit required under this  
34 subsection, the director shall take into consideration the financial  
35 ability of the employer to pay compensation and assessments and his or  
36 her probable continuity of operation. However, a letter of credit

1 shall be acceptable only if the self-insurer has a net worth of not  
2 less than five hundred million dollars as evidenced in an annual  
3 financial statement prepared by a qualified, independent auditor using  
4 generally accepted accounting principles. The money, securities, bond,  
5 or letter of credit so deposited shall be held by the director solely  
6 for the payment of compensation by the self-insurer and his or her  
7 assessments. In the event of default the self-insurer loses all right  
8 and title to, any interest in, and any right to control the surety.  
9 The amount of surety may be increased or decreased from time to time by  
10 the director. The income from any securities deposited may be  
11 distributed currently to the self-insurer.

12 (b) The letter of credit option authorized in (a) of this  
13 subsection shall not apply to self-insurers authorized under RCW  
14 51.14.150 or to self-insurers who are counties, cities, or municipal  
15 corporations.

16 (3) Securities or money deposited by an employer pursuant to  
17 subsection (2) of this section shall be returned to him or her upon his  
18 or her written request provided the employer files the bond required by  
19 such subsection.

20 (4) If the employer seeking to qualify as a self-insurer has  
21 previously insured with the state fund, the director shall require the  
22 employer to make up his or her proper share of any deficit or  
23 insufficiency in the state fund as a condition to certification as a  
24 self-insurer.

25 (5) A self-insurer may reinsure a portion of his or her liability  
26 under this title with any reinsurer authorized to transact such  
27 reinsurance in this state: PROVIDED, That the reinsurer may not  
28 participate in the administration of the responsibilities of the self-  
29 insurer under this title. Such reinsurance may not exceed eighty  
30 percent of the liabilities under this title. Until July 1, 2000,  
31 subsidiary companies, holding companies, or affiliated legal entities  
32 of the reinsurer not involved in providing reinsurance shall be allowed  
33 to participate in the administration of the responsibilities of the  
34 self-insurer under this title.

35 (6) For purposes of the application of this section, the department  
36 may adopt separate rules establishing the security requirements  
37 applicable to units of local government. In setting such requirements,  
38 the department shall take into consideration the ability of the

1 governmental unit to meet its self-insured obligations, such as but not  
2 limited to source of funds, permanency, and right of default.

3 (7) The director shall adopt rules to carry out the purposes of  
4 this section including, but not limited to, rules respecting the terms  
5 and conditions of letters of credit and the establishment of the  
6 appropriate level of net worth of the self-insurer to qualify for use  
7 of the letter of credit. Only letters of credit issued in strict  
8 compliance with the rules shall be deemed acceptable.

9 NEW SECTION. **Sec. 2.** A new section is added to chapter 51.14 RCW  
10 to read as follows:

11 (1) The department shall conduct a study of self-insurers'  
12 adjudication outcomes, claims management practices, and other  
13 appropriate outcomes and practices. The study shall compare outcomes  
14 and practices of self-insurers who use the services of reinsurers and  
15 administrators that are affiliated to those of self-insurers who use  
16 the services of unaffiliated reinsurers and administrators, as well as  
17 to the outcomes and practices of the department. The department shall  
18 report the results of the study to the legislature by January 1, 1999.

19 (2) The department shall adopt rules to implement this act.

20 (3) This section shall expire July 1, 2000."

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24 On page 1, line 2 of the title, after "insurers;" strike the  
25 remainder of the title and insert "amending RCW 51.14.020; adding a new  
26 section to chapter 51.14 RCW; and providing an expiration date."

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