

VETO MESSAGE ON HB 1330

May 14, 1997

To the Honorable Speaker and Members,

The House of Representatives of the State of Washington  
Ladies and Gentlemen:

I am returning herewith, without my approval, House Bill No. 1330 entitled:

"AN ACT Relating to administration of the responsibilities of self-insurers;"

House Bill No. 1330 would allow third party administrators of workers' compensation claims to purchase reinsurance through an affiliated or parent company.

Such a statutory change would dramatically alter the allowable relationship between third party administrators and reinsurers and have the potential of compromising the neutrality of third party administrators. Ultimately, this could jeopardize or improperly limit the benefits to which workers are entitled under the workers' compensation program. As a claim matures and begins to reach the retention level of the excess policy, the third party administrator would be required to inform the affiliated excess carrier that a potential liability exists. While benefits would likely continue, the affiliated excess carrier would be remiss in its own obligations if it did not become concerned and look closely at the further administration of the claim.

Furthermore, this bill has the potential of transferring employers' workers' compensation obligations to reinsurance companies. For example, if an excess carrier were to market a reinsurance policy with a deductible feature and the deductible be met, the excess carrier would own the management of that claim. This defeats the current prohibition against a private insurance company managing Washington workers' compensation claims.

This bill would also mandate that the Department of Labor & Industries study the effects of this legislation. No funding is provided in the adopted state operating budget for the additional burden this bill would place on the department.

One purpose of this bill is to encourage competition in the reinsurance market. However, there appears to be no need to make this kind of departure from the protections in current law to encourage competition. There are already nearly 21 companies offering this line of excess insurance coverage in this state.

For these reasons, I have vetoed House Bill No. 1330 in its entirety.

Respectfully submitted,  
Gary Locke  
Governor