

HOUSE BILL REPORT

ESB 6158

As Reported by House Committee On:

Financial Institutions & Insurance

Title: An act relating to the Washington insurance guarantee association act.

Brief Description: Creating the longshore and harbor workers' compensation act insurance guarantee committee.

Sponsors: Senators Prentice, Benton and Winsley.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/25/04, 2/27/04 [DPA].

Brief Summary of Engrossed Bill (As Amended by House Committee)

- Requires the Insurance Commissioner to study the impact of covering workers' compensation policies purchased on the commercial market under the Washington Insurance Guarantee Association.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass as amended. Signed by 11 members: Representatives Schual-Berke, Chair; G. Simpson, Vice Chair; Benson, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Cairnes, Carrell, Cooper, Hatfield, Roach, Santos and D. Simpson.

Staff: Carrie Tellefson (786-7127).

Background:

Longshore and Harbor Workers' Compensation:

Under the United States Longshore and Harbor Workers' (USL&H) Compensation Act, businesses whose employees are employed in maritime employment on or near the navigable waters of the United States are required to purchase longshore and harbor workers' compensation insurance. This includes businesses that provide services on docks, such as electricians and other contractors. This insurance is available from private

insurers licensed to write "workers compensation" coverage in the State of Washington.

In the event an employer cannot obtain this insurance coverage through the private market, the employer can purchase coverage from the longshore and harbor workers' assigned risk plan, created in Washington law. The plan's members include all authorized insurers writing longshore and harbor workers' compensation insurance in this state and the Washington State Industrial Insurance Fund. Any underwriting losses or surpluses incurred by the plan are to be shared by plan participants in accordance with the following ratios: the state industrial insurance fund will pay 50 percent; and authorized insurers writing primary or excess United States longshore and harbor workers' compensation insurance will pay 50 percent.

Under federal law, employers who purchase longshore and harbor workers' compensation insurance from private insurers remain responsible for costs associated with an employee's on the job injury or death even if the insurer becomes insolvent.

Private insurers who sell longshore and harbor workers' compensation insurance do not participate in the Washington Insurance Guarantee Association.

Summary of Amended Bill:

The Insurance Commissioner (Commissioner) must study the impact of covering or excluding workers' compensation policies purchased in the commercial market under the Washington Insurance Guarantee Association, including longshore and harbor workers' compensation act insurance, employments that are excluded from mandatory workers' compensation coverage, and workers' compensation policies purchased by tribal employers.

The Commissioner must conduct the study in consultation with appropriate state agencies, United States longshore and harbor workers' compensation act insurers, insurance carriers, insurance agents and brokers, the United States longshore and harbor workers' compensation act assigned risk plan, and maritime employers. The Department of Labor and Industries will consult on an ex officio basis.

The Commissioner must also develop recommendations from this study and report these to the Legislature by December 1, 2004.

Amended Bill Compared to Original Bill:

The amended bill deletes the requirement that the Commissioner create a committee and instead requires the Commissioner to independently conduct a study, in consultation with appropriate state agencies, United States longshore and harbor workers' compensation act insurers, insurance carriers, insurance agents and brokers, United States longshore and

harbor workers' compensation act assigned risk plan, and maritime employers. The Department of Labor and Industries will consult on an ex officio basis.

In addition, the study is broadened in scope to additionally examine the impact of excluding from guarantee protection workers' compensation policies purchased for certain types of employment, including tribal employers.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: None.

Testimony Against: None.

Persons Testifying: None.

Persons Signed In To Testify But Not Testifying: Representative McCoy, 38th District; Randy Ray, Todd Shipyards; Bill Daley, Office of the Insurance Commissioner; Steve Buckner, Insurance Brokers and Agents West; and Gordon Baxter, International Longshore & Warehouse Union.