
**Financial Institutions &
Insurance Committee**

SB 5869

Brief Description: Authorizing nonprofit corporations to participate in self-insurance risk pools.

Sponsors: Senators T. Sheldon, Winsley, Eide, Schmidt, Prentice and Kline.

Brief Summary of Bill

- Authorizes nonprofit corporations to individually or jointly self-insure, or jointly purchase insurance or reinsurance, with local government entities and/or other nonprofit corporations.

Hearing Date: 2/25/04

Staff: Carrie Tellefson (786-7127).

Background:

Recently many nonprofit corporations have either experienced difficulty obtaining the liability insurance necessary to continue providing services or have seen dramatic increases in their insurance premiums.

Self-insurance by local governments:

Local government entities have the authority to individually or jointly self-insure against risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. In addition, subject to specified conditions, local government entities may enter into joint self-insurance programs with similar entities from other states. The Risk Manager (Risk Manager) within the Office of Financial Management (OFM) is responsible for the regulation of such self-insurance activities and may adopt rules governing their operation.

Local government entities must obtain prior approval from the Risk Manager before establishing a *joint* self-insurance program covering property and liability risks involving two or more covered entities. Such *prior* approval is not required for the creation of an *individual* self-insurance program. However, entities that establish individual self-insurance programs must notify the Risk Manager of the existence of the program and comply with the regulatory and statutory standards governing the operation of such programs. In addition, self-insurance programs must file annual reports with the Risk Manager and the State Auditor containing specified information regarding their operation.

Washington Nonprofit Corporation Act:

The Washington Nonprofit Corporation Act (Act) governs the organization and practices of nonprofit corporations in Washington. The Act contains a lengthy list of "general powers" that may be exercised by nonprofits, covering such areas as contracts, lending money, pensions, and other corporate practices.

Summary of Bill:

Nonprofit corporations are granted the same authority to self-insure as are local government entities and are empowered to create joint self-insurance arrangements with such entities. Specifically, nonprofit corporations are authorized to individually or jointly self-insure, or jointly purchase insurance or reinsurance, with local government entities and/or other nonprofit corporations. This authority is subject to the condition that local government entities and nonprofit corporations may not participate in any activity that violates Article VIII, section 5, of the State Constitution.

Appropriation: None.

Fiscal Note: Available.

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