

CERTIFICATION OF ENROLLMENT

SENATE BILL 5869

Chapter 255, Laws of 2004

58th Legislature
2004 Regular Session

NONPROFIT CORPORATIONS--SELF-INSURANCE RISK POOLS

EFFECTIVE DATE: 6/10/04

Passed by the Senate March 8, 2004
YEAS 48 NAYS 0

BRAD OWEN

President of the Senate

Passed by the House March 3, 2004
YEAS 96 NAYS 0

FRANK CHOPP

Speaker of the House of Representatives

CERTIFICATE

I, Milton H. Doumit, Jr.,
Secretary of the Senate of the
State of Washington, do hereby
certify that the attached is
SENATE BILL 5869 as passed by the
Senate and the House of
Representatives on the dates
hereon set forth.

MILTON H. DOUMIT JR.

Secretary

Approved March 31, 2004.

FILED

March 31, 2004 - 3:02 p.m.

GARY F. LOCKE

Governor of the State of Washington

**Secretary of State
State of Washington**

SENATE BILL 5869

AS AMENDED BY THE HOUSE

Passed Legislature - 2004 Regular Session

State of Washington 58th Legislature 2003 Regular Session

By Senators T. Sheldon, Winsley, Eide, Schmidt, Prentice and Kline

Read first time 02/18/2003. Referred to Committee on Financial Services, Insurance & Housing.

1 AN ACT Relating to authorizing nonprofit corporations to
2 participate in self-insurance risk pools; amending RCW 48.62.021;
3 adding a new section to chapter 48.62 RCW; and creating a new section.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature finds that recent increases
6 in property and liability insurance premiums experienced by some
7 nonprofit organizations have the potential to negatively impact the
8 ability of these organizations to continue to offer the level of
9 service they provide in our communities. The legislature finds that
10 nonprofit organizations are distinct from private for-profit
11 businesses. By their very nature, nonprofit organizations are formed
12 for purposes other than generating a profit, and are restricted from
13 distributing any part of the organization's income to its directors or
14 officers. Because of these characteristics, nonprofit organizations
15 provide a unique public good to the residents in our state.

16 The legislature finds that in order to sustain the financial
17 viability of nonprofit organizations, they should be provided with
18 alternative options for insuring against risks. The legislature
19 further finds that local government entities and nonprofit

1 organizations share the common goal of providing services beneficial to
2 the public interest. The legislature finds that allowing nonprofit
3 organizations and local government entities to pool risk in self-
4 insurance risk pools may be of mutual benefit for both types of
5 entities. Therefore, it is the intent of the legislature to allow
6 nonprofit organizations to form or participate in self-insurance risk
7 pools with other nonprofit organizations or with local government
8 entities where authority for such risk pooling arrangements does not
9 currently exist in state or federal law.

10 **Sec. 2.** RCW 48.62.021 and 2002 c 332 s 24 are each amended to read
11 as follows:

12 Unless the context clearly requires otherwise, the definitions in
13 this section apply throughout this chapter.

14 (1) "Local government entity" or "entity" means every unit of local
15 government, both general purpose and special purpose, and includes, but
16 is not limited to, counties, cities, towns, port districts, public
17 utility districts, water-sewer districts, school districts, fire
18 protection districts, irrigation districts, metropolitan municipal
19 corporations, conservation districts, and other political subdivisions,
20 governmental subdivisions, municipal corporations, and quasi-municipal
21 corporations.

22 (2) "Risk assumption" means a decision to absorb the entity's
23 financial exposure to a risk of loss without the creation of a formal
24 program of advance funding of anticipated losses.

25 (3) "Self-insurance" means a formal program of advance funding and
26 management of entity financial exposure to a risk of loss that is not
27 transferred through the purchase of an insurance policy or contract.

28 (4) "Health and welfare benefits" means a plan or program
29 established by a local government entity or entities for the purpose of
30 providing its employees and their dependents, and in the case of school
31 districts, its district employees, students, directors, or any of their
32 dependents, with health care, accident, disability, death, and salary
33 protection benefits.

34 (5) "Property and liability risks" includes the risk of property
35 damage or loss sustained by a local government entity and the risk of
36 claims arising from the tortious or negligent conduct or any error or

1 omission of the local government entity, its officers, employees,
2 agents, or volunteers as a result of which a claim may be made against
3 the local government entity.

4 (6) "State risk manager" means the risk manager of the risk
5 management division within the office of financial management.

6 (7) "Nonprofit corporation" or "corporation" has the same meaning
7 as defined in RCW 24.03.005(3).

8 NEW SECTION. Sec. 3. A new section is added to chapter 48.62 RCW
9 to read as follows:

10 (1) A nonprofit corporation may form or join a self-insurance risk
11 pool with one or more nonprofit corporations or with a local government
12 entity or entities for property and liability risks.

13 (2) A nonprofit corporation that participates in or forms a self-
14 insurance risk pool with one or more nonprofit corporations or with a
15 local government entity or entities, as provided in subsection (1) of
16 this section, is subject to the same rules and regulations that apply
17 to a local government entity or entities under this chapter.

18 (3) This section does not apply to a nonprofit corporation that:

19 (a) Individually self-insures for property and liability risks;

20 (b) Participates in a risk pooling arrangement, including a risk
21 retention group or a risk purchasing group, regulated under chapter
22 48.92 RCW, or is a captive insurer authorized in its state of domicile;
23 or

24 (c) Is a hospital licensed under chapter 70.41 RCW or an entity
25 owned, operated, controlled by, or affiliated with such a hospital that
26 participates in a self-insurance risk pool or other risk pooling
27 arrangement, unless the self-insurance pool or other risk pooling
28 arrangement for property and liability risks includes a local
29 government entity.

Passed by the Senate March 8, 2004.
Passed by the House March 3, 2004.
Approved by the Governor March 31, 2004.
Filed in Office of Secretary of State March 31, 2004.